KEEPING COLLEGE WITHIN REACH: STRENGTHENING PELL GRANTS FOR FUTURE GENERATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE TRAINING

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, DECEMBER 3, 2013

Serial No. 113–40

Printed for the use of the Committee on Education and the Workforce

Available via the World Wide Web: *www.gpo.gov/fdsys/browse/committee.action?chamber=house&committee=education*
or
Committee address: *http://edworkforce.house.gov*

U.S. GOVERNMENT PRINTING OFFICE
85–672 PDF WASHINGTON : 2015

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON EDUCATION AND THE WORKFORCE

JOHN KLINE, Minnesota, *Chairman*

Thomas E. Petri, Wisconsin
Howard P. "Buck" McKeon, California
Joe Wilson, South Carolina
Virginia Foxx, North Carolina
Tom Price, Georgia
Kenny Marchant, Texas
Duncan Hunter, California
David P. Roe, Tennessee
Glenn Thompson, Pennsylvania
Tim Walberg, Michigan
Matt Salmon, Arizona
Brett Guthrie, Kentucky
Scott DesJarlais, Tennessee
Todd Rokita, Indiana
Larry Bucshon, Indiana
Trey Gowdy, South Carolina
Lou Barletta, Pennsylvania
Martha Roby, Alabama
Joseph J. Heck, Nevada
Susan W. Brooks, Indiana
Richard Hudson, North Carolina
Luke Messer, Indiana

George Miller, California,
Senior Democratic Member
Robert E. Andrews, New Jersey
Robert C. "Bobby" Scott, Virginia
Rubén Hinojosa, Texas
Carolyn McCarthy, New York
John F. Tierney, Massachusetts
Rush Holt, New Jersey
Susan A. Davis, California
Raúl M. Grijalva, Arizona
Timothy H. Bishop, New York
David Loebsack, Iowa
Joe Courtney, Connecticut
Marcia L. Fudge, Ohio
Jared Polis, Colorado
Gregorio Kilili Camacho Sablan,
Northern Mariana Islands
Frederica S. Wilson, Florida
Suzanne Bonamici, Oregon
Mark Pocan, Wisconsin

Juliane Sullivan, *Staff Director*
Jody Calemine, *Minority Staff Director*

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE TRAINING

VIRGINIA FOXX, North Carolina, *Chairwoman*

Thomas E. Petri, Wisconsin
Howard P. "Buck" McKeon, California
Glenn Thompson, Pennsylvania
Tim Walberg, Michigan
Matt Salmon, Arizona
Brett Guthrie, Kentucky
Lou Barletta, Pennsylvania
Joseph J. Heck, Nevada
Susan W. Brooks, Indiana
Richard Hudson, North Carolina
Luke Messer, Indiana

Rubén Hinojosa, Texas,
Ranking Minority Member
John F. Tierney, Massachusetts
Timothy H. Bishop, New York
Suzanne Bonamici, Oregon
Carolyn McCarthy, New York
Rush Holt, New Jersey
Susan A. Davis, California
David Loebsack, Iowa
Frederica S. Wilson, Florida

CONTENTS

KEEPING COLLEGE WITHIN REACH: STRENGTHENING PELL GRANTS FOR FUTURE GENERATIONS

Tuesday, December 3, 2013
U.S. House of Representatives
Subcommittee on Higher Education and Workforce Training
Committee on Education and the Workforce
Washington, DC

The subcommittee met, pursuant to call, at 10:00 a.m., in room 2175, Rayburn House Office Building, Hon. Virginia Foxx [chairman of the subcommittee] presiding.

Present: Representatives Foxx, McKeon, Thompson, Walberg, Guthrie, Heck, Brooks, Hudson, Messer, Hinojosa, Tierney, Bishop, Bonamici, Holt, Davis, Loebsack, and Wilson.

Also present: Representative Kline.

Staff present: James Bergeron, Director of Education and Human Services Policy; Amy Raaf Jones, Education Policy Counsel and Senior Advisor; Nancy Locke, Chief Clerk; Brian Melnyk, Professional Staff Member; Daniel Murner, Press Assistant; Krisann Pearce, General Counsel; Nicole Sizemore, Deputy Press Secretary; Emily Slack, Legislative Assistant; Alex Sollberger, Communications Director; Alissa Strawcutter, Deputy Clerk; Tylease Alli, Minority Clerk/Intern and Fellow Coordinator; Jody Calemine, Minority Staff Director; Eamonn Collins, Minority Fellow, Education; Jamie Fasteau, Minority Director of Education Policy; Eunice Ikene, Minority Staff Assistant; Julia Krahe, Minority Communications Director; Megan O'Reilly, Minority General Counsel; Rich Williams, Minority Education Policy Advisor; and Michael Zola, Minority Deputy Staff Director.

Chairwoman FOXX. A quorum being present, the subcommittee will come to order. Good morning. Thank you for joining us for our hearing on the Pell Grant program. We have an excellent panel of witnesses here this morning, and we look forward to their testimony.

This hearing is the 11th in a series designed to gain a more complete understanding of the challenges facing postsecondary students and institutions. The hearings help to inform the committee of policy changes that should be considered as part of the upcoming reauthorization of the Higher Education Act, we abbreviate HEA.

Over the last year, these hearings have provided a forum to discuss opportunities to encourage innovation, increase transparency, enhance data collection and improve college access and afford-

ability. We have been fortunate to hear from a number of expert witnesses whose testimony and insight will provide invaluable as we begin crafting legislation next year to strengthen America's higher education system through HEA reauthorization.

With roughly 71 percent of undergraduates receiving some form of federal financial aid, simplifying the complex system of grants, loans and institutional support programs remains a central goal in our reauthorization efforts.

Just last month, the committee discussed proposals to help streamline student aid programs. Today, we will build on that conversation by examining the Pell Grant program, which many consider to be the cornerstone of federal student aid.

When the Pell Grant program began in the early 1970s, its central focus was providing financial assistance to help low-income students access higher education. In its first year, the program provided aid to 176,000 students. Since then, Pell has grown dramatically. Today, more than 9 million students are Pell Grant recipients.

The sharp rise in Pell participation in more recent years has been attributed to several factors. One is the economic recession, which spurred many individuals to go back to school to learn skills needed to compete for today's jobs. Also, Washington policymakers passed legislative changes to Pell to increase the program's maximum grant award and weaken student eligibility requirements, allowing more students to receive larger Pell Grant awards.

Since the program guarantees aid to any student who meets the eligibility criteria, enrollment spikes threaten the Pell program's long-term fiscal viability.

Pell is one of the federal government's largest education expenditures, costing taxpayers about $30 billion a year. As with every federal program, especially one with such a hefty price tag, Washington leaders have a responsibility to ensure the Pell Grant program is effective. There is concern among members of the higher education community and many of my colleagues in Congress that Pell has strayed too far from its original intent.

With such a large recipient pool, some worry the program could eventually become insoluble, leading to a lack of funds for our neediest students. Budget experts have projected multi-million dollar funding gaps, raising additional questions about whether the program's current structure is fiscally responsible. Recognizing the Pell Grant program is on an unsustainable path, leaders in higher education, business, and public policy have begun circulating proposals for reform.

One proposed first step to strengthen the program is to simplify the Pell Grant application process. It has been suggested that instead of forcing families to complete overwhelming amounts of paperwork, a more streamlined process would better inform students of their options and generate a more accurate reflection of their financial needs.

Additional proposals suggest tightening eligibility requirements, increasing grant flexibility, and implementing accountability measures to ensure the program is not only helping the neediest students enroll in college, but is also rewarding and encouraging those who make progress toward completion.

When hard-working taxpayer money is being spent, taxpayers deserve accountability, which means that it is critical that we have the information necessary to know what is and is not working in the Pell program. The Pell Grant program has become the epicenter of our nation's financial aid system, and we all want to make sure it meets its targets of supporting low-income students who wish to earn a college degree. However, we must also be honest about the challenges facing the program and work together in good faith to enact smart policy changes that will help get the program back on stable ground.

We have a great panel of witnesses with us today, and I look forward to hearing their thoughts on ways we can strengthen the Pell Grant program through our upcoming reauthorization of the Higher Education Act.

I am now pleased to recognize my colleague, Mr. Rubén Hinojosa, the senior Democrat member of the subcommittee, for his opening remarks.

[The statement of Chairwoman Foxx follows:]

Prepared Statement of Hon. Virginia Foxx, Chairwoman, Subcommittee on Higher Education and Workforce Training

Good morning. Thank you for joining us for our hearing on the Pell Grant program. We have an excellent panel of witnesses here this morning, and we look forward to their testimony.

This hearing is the eleventh in a series designed to gain a more complete understanding of the challenges facing postsecondary students and institutions. The hearings help to inform the committee of policy changes that should be considered as part of the upcoming reauthorization of the Higher Education Act.

Over the last year these hearings have provided a forum to discuss opportunities to encourage innovation, increase transparency, enhance data collection, and improve college access and affordability. We have been fortunate to hear from a number of expert witnesses whose testimony and insight will prove invaluable as we begin crafting legislation next year to strengthen America's higher education system through HEA reauthorization.

With roughly 71 percent of undergraduates receiving some form of federal financial aid, simplifying the complex system of grants, loans, and institutional support programs remains a central goal in our reauthorization efforts. Just last month the committee discussed proposals to help streamline student aid programs. Today we will build on that conversation by examining the Pell Grant program, which many consider to be the cornerstone of federal student aid.

When the Pell Grant program began in the early 1970s, its central focus was providing financial assistance to help low-income students access higher education. In its first year, the program provided aid to 176,000 students. Since then, Pell has grown dramatically; today more than 9 million students are Pell Grant recipients.

The sharp rise in Pell participation in more recent years has been attributed to several factors. One is the economic recession, which spurred many individuals to go back to school to learn skills needed to compete for today's jobs. Also, Washington policymakers passed legislative changes to Pell to increase the program's maximum grant award and weaken student eligibility requirements—allowing more students to receive larger Pell Grant awards.

Since the program guarantees aid to any student who meets the eligibility criteria, enrollment spikes threaten the Pell program's long-term fiscal viability. Pell is one of the federal government's largest education expenditures, costing taxpayers about $30 billion a year. As with every federal program, especially one with such a hefty price tag, Washington leaders have a responsibility to ensure the Pell Grant program is effective.

There is concern among members of the higher education community and many of my colleagues in Congress that Pell has strayed too far from its original intent. With such a large recipient pool, some worry the program could eventually become insoluble, leading to a lack of funds for our neediest students. Budget experts have projected multi-million dollar funding gaps, raising additional questions about whether the program's current structure is fiscally responsible.

Recognizing the Pell Grant program is on an unsustainable path, leaders in higher education, business, and public policy have begun circulating proposals for reform. One proposed first step to strengthen the program is to simplify the Pell Grant application process. It has been suggested that instead of forcing families to complete overwhelming amounts of paperwork, a more streamlined process would better inform students of their options and generate a more accurate reflection of their financial needs.

Additional proposals suggest tightening eligibility requirements, increasing grant flexibility, and implementing accountability measures to ensure the program is not only helping the neediest students enroll in college, but is also rewarding and encouraging those who make progress toward completion. When hardworking taxpayer money is being spent, taxpayers deserve accountability which means that it is critical that we have the information necessary to know what is and is not working in the Pell program.

The Pell Grant program has become the epicenter of our nation's financial aid system and we all want to make sure it meets its target of supporting low-income students who wish to earn a college degree. However, we must also be honest about the challenges facing the program and work together in good faith to enact smart policy changes that will help get the program back on stable ground.

We have a great panel of witnesses with us today, and I look forward to hearing their thoughts on ways we can strengthen the Pell Grant program through our upcoming reauthorization of the Higher Education Act. I now am pleased to recognize my colleague, Mr. Rubén Hinojosa, the senior Democrat member of the subcommittee, for his opening remarks.

Mr. HINOJOSA. Thank you, Chairwoman Foxx. Today's hearing is an opportunity to discuss ways in which Congress can strengthen the federal Pell Grant program, not to weaken it. I remember the 8 years during the George W. Bush administration, the Pell Grant hovered at about $3,000 to $3,400 a year and, often times, cutting it at least 50 percent to try to get more money to go to the war in Iraq. I was not happy with that. We fought and got it back up to $3,000.

In the past several years, Democrats have fought to make college more affordable by increasing the Pell Grant award by at least $1,600, from $4,050 in 2006 to $5,645 in 2014, allowing it to increase yearly with inflation.

Before we hear from our distinguished panel of witnesses, I want to underscore the importance of the federal Pell Grant program in advancing college access and affordability. Serving approximately 9 million hard-working students, the federal Pell Grant program is the single largest source of federal grant aid which supports college students.

According to the presidents and the chancellors who came to visit me during the period that I was chairman of this committee, they said that those were the highest priorities they had—and that was to make higher education affordable and accessible, and that we should look very carefully at increasing the Pell Grant.

Without a doubt, Pell grants are expanding access for low-income students and students of color. An estimated 92 percent of Pell Grant recipients have family incomes below the national median of $51,800. More than 60 percent of African-American undergraduates and half of the Latino undergraduates rely on Pell grants to afford the cost of a college degree.

Pell grants strengthen our economy and boost workforce productivity. We know that a college degree can dramatically increase employment and wages, and move low-income students into the middle class. While I am proud of the federal investments that Congress has made in the federal grant program in the recent years

through the passage of Student Aid and Fiscal Responsibility Act of 2010, known as SAFRA, and the College Cost Reduction and Excess Cost of 2007, I know that Congress can do much more to support college access and success.

Unfortunately, recent budget agreements have reduced the Pell Grant funding by more than $50 billion, by cutting hundreds of thousands of students from the program. Many other changes slashed other federal student aid programs to fund the Pell Grant program. We can do better than robbing Peter to pay Paul.

Moving forward, the Republican majority wants to eliminate hundreds of thousands, if not millions, more students from the Pell Grant program. The Republican-passed budget would do exactly that, by cutting $98 billion from that program alone.

To be sure, students and families continue to struggle to afford the cost of a college degree. Skyrocketing college costs in recent years have eroded the purchasing power of the Pell Grant, forcing Pell Grant recipients to increase their reliance on student loans. Next year's maximum Pell Grant award of $5,785 will cover the smallest share of college costs since the start of the program. It is troubling to me to know that Pell Grant recipients are already more than twice as likely as other students to have student loans.

In closing, I want to say that as Congress is working to reauthorize the Higher Education Act, I urge my colleagues on both sides of the aisle to evaluate the Pell Grant as a piece of the larger budget discussions, and not limit themselves to solving short-term funding problems with long-lasting cuts to student aid.

And with that, Madam Chair, I yield back.

[The statement of Mr. Hinojosa follows:]

Prepared Statement of Hon. Rubén Hinojosa, Ranking Member, Subcommittee on Higher Education and Workforce Training

Thank you, Chairwoman Foxx.

Today's hearing is an opportunity to discuss ways in which Congress can strengthen the federal Pell Grant program, not weaken it. In the past several years, Democrats have fought to make college more affordable by increasing the maximum Pell Grant award by $1,600, from $4,050 in 2006 to $5,645 in 2014, allowing it to increase yearly with inflation.

Before we hear from our distinguished panel of witnesses, I want to underscore the importance of the federal Pell Grant program in advancing college access and affordability.

Serving approximately nine million hard working students, the federal Pell grant program is the single largest source of federal grant aid, which supports college students.

Without a doubt, Pell Grants are expanding access for low-income students and students of color. An estimated 92% of Pell Grant recipients have family incomes below the national median of $51,800. More than 60% of African American undergraduates and half of Latino undergraduates rely on Pell grants to afford the cost of a college degree.

Pell grants strengthen our economy and boost workforce productivity. We know that a college degree can dramatically increase employment and wages and move low-income students into the middle class.

While I am proud of the federal investments the Congress has made in the Pell Grant program in recent years through the passage of Student Aid and Fiscal Responsibility Act of 2010 (SAFRA), and the College Cost Reduction and Access Act of 2007, I know that Congress can do much more to support college access and success.

Unfortunately, recent budget agreements have reduced Pell Grant funding by more than $50 billion by cutting hundreds of thousands of students from the program. Many other changes slashed other federal student aid programs to fund the Pell grant program. We can do better than 'robbing Peter to pay Pell.'

Moving forward, the Republican majority wants to eliminate hundreds of thousands, if not millions, more students from the Pell program. The Republican passed budget would do exactly that by cutting $98 billion from the program alone.

To be sure, students and families continue to struggle to afford the cost of a college degree. Skyrocketing college costs in recent years have eroded the purchasing power of the Pell grant, forcing Pell grant recipients to increase their reliance on student loans.

Next year's maximum Pell grant award of $5,785 will cover the smallest share of college costs since the start of the program. It is troubling to know that Pell Grant recipients are already more than twice as likely as other students to have student loans.

As Congress works to reauthorize the Higher Education Act, I urge my colleagues to value the Pell program as a piece of the larger budget discussions and not limit themselves to solving short-term funding problems with long lasting cuts to student aid.

With that, I yield back.

Chairwoman FOXX. Thank you, Mr. Hinojosa. Pursuant to committee rule 7(c), all subcommittee members will be permitted to submit written statements to be included in the permanent hearing record. And without objection, the hearing record will remain open for 14 days to allow statements, questions for the records, and other extraneous material referenced during the hearing to be submitted in the official record.

It is now my pleasure to introduce our distinguished panel of witnesses. Mr. Justin Draeger serves as the president and chief executive officer of the National Association of Student Financial Aid administrators. Dr. Jenna Ashley Robinson is the director of outreach at the John W. Pope Center for Higher Education Policy, a nonprofit institute dedicated to improving higher education in North Carolina and the nation. Mr. Michael Dannenberg serves as the director of higher education and education finance policy at the Education Trust. Mr. Richard Heath is currently the financial aid director at Anne Arundel Community College, a public 2-year institution located in Arnold, Maryland.

Before I recognize you to provide your testimony, let me briefly explain our lighting system. You will have five minutes to present your testimony. When you begin, the light in front of you will turn green. When one minute is left, the light will turn yellow. When your time is expired, the light will turn red. At that point, I ask that you wrap up your remarks as best as you are able. After you have testified, members will each have five minutes to ask questions of the panel.

I now recognize Mr. Justin Draeger for five minutes.

STATEMENT OF JUSTIN DRAEGER, PRESIDENT AND CEO, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. DRAEGER. Thank you, Chairwoman Foxx, Ranking Member Hinojosa, and members of the committee. As has been said, my name is Justin Draeger from the National Association of Student Financial Aid Administrators. We represent colleges and universities across the country. NASFAA member institutions serve 90 percent of all federal student aid recipients.

I am grateful to be able to talk to you about the Pell Grant program which, has been pointed out, serves 9 million students annually and over its 41-year history has benefited over 60 million stu-

dents. The program is well-targeted in that 85 percent of recipients have family incomes of less than $40,000.

Fifty percent of those receiving Pell grants have family incomes of less than $20,000, and it is weighted towards those with the least resources. Seventy percent of Pell recipients are receiving the maximum award for their enrollment status.

The Pell Grant program, of course, evolved out of the Basic Educational Opportunity Grant, or BEOG, in 1972. And the goal was very simple. It was to provide every qualified student with access to a postsecondary degree. And in 1980, BEOG was renamed Pell in honor of Senator Claiborne Pell of Rhode Island, a long-time champion of higher education access.

In its early days, BEOG provided nearly universal access to postsecondary education. Its original grant of $1,400 covered approximately 70 percent of the cost of attendance at a 4-year school, and grew over the next couple years to cover 85 percent of the cost of attendance at a four-year public.

While the maximum grant has gone from $1,400 to now over $5,600, it now only covers about 35 percent of the cost of attendance at a four-year public school. Over that time, the numbers of students and total amount spent on the program have also increased dramatically. And I have included in my remarks dollar amounts and a list of eligibility requirement changes that have been made in recent years for your reference.

The higher education landscape is also quite different from when BEOG was first created, including the large-scale growth in the non-traditional student population, where non-traditional students have now become the traditional student; the need and amount of developmental and remedial education that is being required in higher education; the rapid expansion of innovative learning models; and the need in enrollment in vocational education; not to mention the increased scrutiny on student outcomes, most notably highlighted by the President's recent proposals to tie student aid to student outcomes at the institutional level.

With that changing landscape in mind, I would like to offer the committee three suggestions for Pell reform. The first one is to provide a Pell Promise as an early commitment program, from the government to students, early in high school. This type of program has been successful in state-run programs and has been shown to change student behavior, helping them make smarter decisions in secondary education to prepare for college. In Indiana, for example, the number of students matriculating to college increased by nearly 90 percent over one generation over 18 years due to an early-commitment 21st century scholars program.

The disparity between college enrollment of low-income and upper-income families is quite staggering. And when researched, most low-income students either do not prepare or do not attend college because they didn't know or they didn't believe that student aid funding would be available to them. In many instances, data showed that the lack of knowledge or confidence that funds would be there for them leads low-income students to inadvertently choose schools that may be more expensive or that doesn't match—best match their academic preparedness. And this is sometimes called "under-matching."

Second would be to provide students a Pell Well funds that they could draw from as needed until the student completed their program or simply ran out of eligibility. This program would eliminate the gaps students face when they run out of Pell eligibility each summer after taking Pell during the fall and winter. It would also match up nicely with some of the new, innovative learning models that are being introduced, prior learning assessments and competency-based education programs.

Such a program would be best suited if we moved to a prior-prior year assessment of a student or family's ability to pay for college as opposed to what we use now, which is simply a prior year assessment. And finally, to provide a super Pell to students who enroll in enough credit hours to graduate within 4 years; to facilitate, in a traditional model, students attending college for 15 credit hours per semester. Doing so would eliminate the need of many students—and, most specifically, the non-traditional students—from working, borrowing or stopping out, which stopping out can run as high as 95 percent at some community colleges.

I thank you for the opportunity to talk about Pell grants today, and look forward to working with the committee in this regard.

[The statement of Mr. Draeger follows:]

N·A·S·F·A·A
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Testimony
Of
Justin S. Draeger
NASFAA President

Presented to the
U.S. House of Representatives
Committee on Education and the Workforce
Subcommittee on Higher Education and
Workforce Training

December 3, 2013

Opening Doors of Educational Opportunity

PHONE: 202.785.0453 FAX: 202.785.1487 WEB: www.nasfaa.org
1101 CONNECTICUT AVE NW, SUITE 1100, WASHINGTON, DC 20036-4303

Keeping College Within Reach: Strengthening Pell Grants for Future Generations

Chairwoman Foxx, Ranking Member Hinojosa, and members of the Subcommittee:

Thank you for inviting me to testify today. The National Association of Student Financial Aid Administrators (NASFAA) represents more than 3,000 public and private colleges, universities, and trade schools across our nation. Collectively, NASFAA members serve 90 percent of all federal student aid recipients.

In this current academic year, nearly 9 million low-income students across the country are receiving Pell Grants, a program long considered the cornerstone of the federal student aid programs. Over its 41-year history, the Pell Grant has provided more than 60 million low-income students access to a college education, with 148 million individual annual awards made since the program's inception[1]. A well-targeted federal program, in award year 2011-12 nearly 85 percent of Pell recipients had incomes below $40,000 and nearly 70 percent of recipients were eligible for the maximum grant.[2]

For all of its success in providing basic access to postsecondary education for low-income students, the upcoming reauthorization of the Higher Education Act provides a much-needed opportunity to examine the structure, purpose, and outcomes of the Pell Grant program.

My testimony today will provide a framework for reviewing the Pell Grant program and will be divided into three parts:

1. The history and original intent of the program
2. Subsequent and significant changes that have been made to the program since its inception
3. Considerations for future program reform

History and Intent

The Pell Grant evolved out of the Basic Educational Opportunity Grant (BEOG), which was authorized in 1972. BEOG was created to provide grant aid to ensure access to postsecondary education for low-income students. According to the Pell Institute,[3] BEOG was one of the last pieces of the anti-poverty and civil rights laws that defined the federal

---

[1] Whitehouse.gov. Celebrating Success: 40 Years of Pell Grants (White House Fact Sheet): http://www.whitehouse.gov/blog/2012/06/23/celebrating-success-40-years-pell-grants
[2] U.S. Department of Education. End of Year Pell Report, 2011-12: http://www2.ed.gov/finaid/prof/resources/data/pell-2011-12/pell-eoy-2011-12.html
[3] The Pell Institute. Reflections on Pell: Championing Social Justice Through 30 Years of Educational Opportunity, 2013: www.pellinstitute.org/downloads/publications-Reflections_on_Pell_June_2013.pdf

role in assuring equal access to education.

The introduction of BEOG was significant for two reasons: it marked the first time federal financial aid was given to the student as a portable grant (i.e. funds went directly to the student, not the school), and it signaled a philosophical shift in how our country viewed higher education. Prior to the advent of BEOG, federal financial aid focused on our collective national competitiveness relative to other countries. BEOG illustrated our societal belief that providing basic access to postsecondary education would allow low-income families an opportunity for upward economic mobility while simultaneously creating a more stable and strong economy[4]. In 1980, BEOG was renamed the Pell Grant after Senator Claiborne Pell of Rhode Island, a long-time champion of higher education access.

In its first full award year, approximately 1.94 million students received BEOG, with the maximum grant of $1,400 covering approximately 72 percent of the cost of attendance at a four-year public institution. "The original BEOG grants helped close the gap between what the poorest students could afford to pay for college—generally zero dollars, or little more than that—and the cost of an education at the average public four-year university[5]."

This helped ensure almost universal financial access to a baccalaureate degree program. In only a few short years, the program was covering 85 percent of the cost at a four-year public institution[6].

Today's Pell Grant and the students it serves look very different from those served in the first full award year of 1976-77. For one, the numbers of students utilizing the grant have increased dramatically. In this current award year over 9 million students will receive Federal Pell Grants, and the maximum grant has increased to $5,635.[7]

Award Year	Maximum Pell Award	Number of Students Served	Maximum Grant Percentage of COA at Public Institution
AY 1976-77	$1,400	1.94 million	72 percent
AY 2013-14	$5,635	9 million	36 percent

[4] The Pell Institute. Reflections on Pell: Championing Social Justice Through 30 Years of Educational Opportunity, 2013: www.pellinstitute.org/downloads/publications-Reflections_on_Pell_June_2013.pdf
[5] *Ibid*
[6] *Ibid*
[7] The American Council on Education. Pell Grant Funding History, 2012: http://www.acenet.edu/news-room/Pages/Pell-Grant-Funding-History-1976-to-2010.aspx

However, in a stark comparison to Pell's early years, the maximum grant now covers only 36 percent of the cost of attendance at a four-year public institution. (In order for Pell to cover 72 percent of costs as it did in 1976, a maximum award amount of $12,875 would be necessary.)[8] The cost of the program has also increased dramatically. This past year Pell Grants came with a $33 billion price tag, now representing the largest share of the federal education budget.

Despite its long history, most of the significant changes to the program have occurred over the last 10 years (*See Appendix A*). Given Pell's substantial role in the federal education budget, it is not surprising that most of the recent modifications to the program have occurred through the budget process. Pell underwent a series of expanded eligibility changes through the Higher Education Reconciliation Act (HERA) of 2005, the College Cost Reduction and Access Act (CCRAA) of 2007 and the Healthcare and Education Reconciliation Act of 2010 (HCERA), all budget bills. These included things like increases in the amount and types of income excluded from the Pell Grant eligibility formula, increases in the income level under which an applicant automatically qualified for a maximum grant, and allowing students to receive additional Pell for attending school year-round. However, budgetary pressures from these changes combined with the onset of a deep recession resulted in cost trimming, represented most significantly by eliminating the "year-round Pell Grant." These budgetary pressures have led us to collectively reexamine whether the program is accomplishing all that it can and should.

Today's Higher Education Landscape

Today, Pell exists within a larger, more diverse student and learning environment than in its early days.

1. **Growth of nontraditional students**. At Pell's inception, most students were what we define as "traditional;" headed to brick-and-mortar campuses directly after high school, to pursue standard 2- and 4-year degrees at a full-time pace. According to a report on the history of Pell, "When originally enacted, the student aid programs and procedures under the Title IV of the Higher Education Act were designed for families with dependent children who attended college full time."[9] Today's postsecondary student is very different, with "non-traditional" students comprising the majority, nearly 72 percent[10] of those in college. The typical characteristics of nontraditional students include, but are not limited to those: who are over 24 years of age, are attending at a less than full-time status, and students with their own dependents.[11] Of the 17.6 million students enrolled in postsecondary education in the fall of 2011, only 15 percent of students attended four-year institutions and

[8] The College Board. Trends in College Pricing, 2013: http://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2013-14
[9] Gladieux, Lawrence. Memory, Reason, Imagination: A Quarter Century of Pell Grant, 1998.
[10] U.S. Department of Education. NCES. National Postsecondary Student Aid Study, 2008.
[11] U.S. Department of Education. NCES. Definitions and Data: http://nces.ed.gov/pubs/web/97578e.asp

lived on campus, according to NCES. Thirty-seven percent of the total attended part-time and 32 percent worked full-time while attending school.[12]

These demographic changes should be a key consideration in discussions on the future of Pell Grants and student aid, given that these programs were originally built to primarily serve traditional students.

2. **College Readiness & Growth in Developmental Education**. Data show substantial growth in the number of students who need to take developmental (also known as remedial) coursework upon entering postsecondary education. According to Complete College America's *Bridge to Nowhere* report[13], 51.7 percent of students entering 2-year colleges need some type of remedial coursework along with 19.9 percent of those enrolling in 4-year colleges. The report found that in 2011 remediation cost states and students an estimated $3 billion.

   There are numerous factors that contribute to a student being unprepared for college-level coursework, but the salient point is a lingering question of whether a high school degree can be taken as an indicator of college readiness. The original intent of the grant was to provide basic access to low-income, *qualified* students. And while Pell cannot be used solely for remedial education, it can be used for remedial coursework that is integrated into a program. The question we must answer is whether Pell Grant funds should be used to supplement high school-level learning. If Pell or other forms of student aid cannot be used for any remedial coursework, what safety nets should be put in place to help students catch-up?

3. **Growth in Innovative Learning Models**. As more non-traditional students enter college, many institutions have moved toward more flexible degree and certificate programs through the use of innovative learning models, such as Massive Open Online Courses (MOOCs), Prior-Learning Assessments (PLAs), and competency-based learning. The structure and rules of the current Pell Grant program, which is focused primarily on the traditional academic calendar and assessments of learning, discourages advancement in these innovative models. The Pell Grant program requires more flexibility in order to accommodate innovation in teaching and program construction.

4. **Growth In/Need for Vocational Education**. Today many students enroll in postsecondary education for the purpose of job training. Data from NCES underscores this growth, with a nearly 64 percent increase from 2000 to 2010 in the number of sub-baccalaureate awards and certificates awarded.[14] And while some of these students seeking job training complete programs, others may choose

[12] U.S. Department of Education, The Condition of Education, 2011: http://nces.ed.gov/programs/coe/analysis/2011-section1.asp

[13] Complete College America. Bridge to Nowhere, 2012: http://www.completecollege.org/docs/CCA-Remediation-final.pdf

[14] U.S. Department of Education. NCES. Career/Technical Education Statistics: http://nces.ed.gov/surveys/ctes/

to simply enroll in a specific course or two without gaining a credential. For example, although a student must enroll in a credential-granting program in order to receive a Pell Grant, a student's goal might be to take certain courses that will help with a current job. Job training is quite different from pursuit of a degree. It is reasonable to discuss whether Pell is the right funding stream for job training purposes, or whether funding for job-training programs might, for example, more appropriately come from the Department of Labor.

5. **Increased Focus on Persistence and Completion**. For many years access has been the focal point of federal student aid policy. In recent years, research and related policy recommendations have shifted toward persistence and completion as the result of a growing concern about the number of students actually earning a credential and the appropriate use of taxpayer dollars. While the Pell Grant has traditionally been for the purpose of access, there has been a broader discussion--including in President Obama's college affordability plan--to tie Pell and other student aid funds to student outcome measures. This is fraught with challenges, not the least of which would be incentivizing schools to *stop* taking on the risks associated with enrolling underserved populations. The upcoming reauthorization will almost certainly grapple with this issue as policymakers consider whether Pell's purpose should expand beyond access.

Ideas for Reform

Financial aid administrators believe that there are ways to strengthen the Pell Grant program and make it more targeted and flexible, without undermining the original intent of the program—providing basic access to postsecondary education for qualified, low-income students. We offer the following policy considerations:

1. **Provide a "Pell Promise":** Pell Promise would act as an early commitment program for the Pell Grant."[15] Pell Promise would teach students as early as the 9th grade about Pell Grants by notifying them of how much Pell Grant funding they will be able to receive in the future and a guarantee of that amount toward higher education upon successful completion of high school. This would be very similar to the statement taxpayers receive from the Social Security Administration each year (*See Appendix B*).

   An early commitment program like Pell Promise could encourage college-going behavior early by introducing a level of certainty for low-income students and incentivizing them to start planning, saving, and completing the necessary coursework early in their high school career. Enrollment data underscore this challenge, with 52 percent of low-income high school graduates enrolling in

[15] The National Association of Student Financial Aid Administrators, 2013. Reimagining Aid Design and Delivery: http://www.nasfaa.org/EntrancePDF.aspx?id=13287

postsecondary education compared to 82 percent of high-income graduates, according to the National Center for Education Statistics.[16]

This type of program has proven very successful at the state level, the best example being Indiana's 21st Century Scholars program. This program guarantees income-eligible 7th and 8th graders in Indiana who choose to enroll up to four years of undergraduate tuition at participating Indiana colleges and universities upon good behavior and successful completion of high school. Data show that between 1986 and 2004 the number of students enrolling in college directly from high school in Indiana increased by 88 percent.[17]

Arming students and families with this funding commitment early could also address ongoing challenges of under-matching, whereby low-income, high achieving students self-select out of applying for competitive or elite institutions that could have been less expensive than where they ultimately attended. One recent study of a sample of high school valedictorians found that only 50 percent of those from low-income backgrounds even applied to a selective university, compared to roughly 80 percent of the valedictorians from upper-middle and high-income families[18]. Unfortunately, when a student decides early on that his or her higher education options are non-existent or extremely limited, it impacts their high school coursework choices and college enrollment behaviors.

2. **Provide Students a Well of Pell Funds:** This pot of funds (or "Pell Well") would be available for students to "draw" down from as needed until the student either completes the academic program or runs out of Pell funds, rather than allotting a certain amount of Pell dollars for each award year[19]. For example, under the current structure a student attending college continuously throughout the fall, spring and summer semesters would temporarily run out of Pell funds at a certain point because there are only so many Pell dollars allowed per award year. In that so-called "gap" semester before Pell eligibility resumes, the student is faced with turning to student loans, attempting to work and attend school simultaneously, or perhaps stopping out. Reducing the number of stop outs would be a significant benefit of the Pell Well, as data show that the number of students stopping out is a significant problem, particularly at the community college level. One recent study that examined nearly 38,000 community college students in Texas found that 94 percent of them stopped out at least once in

[16] U.S. Department of Education. NCES: Fast Facts, Immediate Transition to College: http://nces.ed.gov/fastfacts/display.asp?id=51
[17] The Lumina Foundation. Results and Reflections: 21st Century Scholars, 2008: http://www.luminafoundation.org/publications/Results and Reflections-21st Century Scholars.pdf
[18] Radford, Alexandria Walton. Top Student, Top School? How Social Class Shapes Where Valedictorians go to School, 2013.
[19] The National Association of Student Financial Aid Administrators, 2013. Reimagining Aid Design and Delivery: http://www.nasfaa.org/EntrancePDF.aspx?id=13287

their postsecondary career. Further, data also show that many of those students who stop out do not return.[20]

Under a Pell Well model, students would have continuous access to Pell funds until they attain a degree or exhaust eligibility (recently reduced to 12 semesters from 18). This concept facilitates and incentivizes retention and graduation along with affordability since it would deter unnecessary borrowing. The students who borrow most frequently tend to be low-income and working, according to NCES. Pell Well introduces a much-needed element of predictability, affordability, and personal flexibility into the federal student aid process (*See Appendix B).*

The Pell Well concept should be coupled with the implementation of the use of prior-prior year (PPY) income data on the FAFSA. The current method of using prior-year income leaves many families unable to complete the FAFSA in a timely manner, and can lead to missed deadlines and high levels of confusion about the aid process. Using PPY income data allows the aid application process to be moved up and aligned with the college admissions process, and allows for months-earlier notification of aid eligibility. Additionally, under a PPY system, significantly more families would be able to use the IRS Data Retrieval Tool, a key part of recent FAFSA simplification efforts.

NASFAA recently completed an in-depth data-driven study[21] on the use of PPY and found that for the neediest students (dependents and independents with dependents of their own) the use of PPY versus PY did not significantly impact their Pell Grant award (*See Appendix C*). Together, Pell Well and PPY would simplify, incentivize, and make more flexible the process of applying for and efficiently utilizing a Pell Grant.

3. **Provide a "Super Pell":** A Super Pell (*See Appendix B*) would incentivize students to enroll in more credit hours and graduate sooner. Currently, a full-time Pell award is based on enrollment in 12 credits. However, a student who completes 12 credits each semester is not on-pace to graduate in four years (15 credits per semester are generally necessary to achieve that benchmark). Those extra credits come with extra cost at many 2-year and public 4-year institutions that charge per credit; studies have shown that every $1,000 increase in college price is associated with a 3-5 percent decrease in enrollment rates.[22] Extra Pell dollars on top of the current full-time Pell award for enrollments greater than 12 credits would alleviate this added cost barrier and encourage students to complete their academic programs

[20] http://www.insidehighered.com/sites/default/server_files/files/PARK_WORKING.pdf
[21] The National Association of Student Financial Aid Administrators. A Tale of Two Incomes, 2013: Comparing Prior Year and Prior Prior Year Through Pell Grant Awards: http://www.nasfaa.org/ppy-report.aspx
[22] Stange, Differential Pricing in Undergraduate Education: Effects on Degree Production by Field, 2013. NBER Working Paper No. 19183.

more quickly, furthering our nation's college completion goals and likely leading to less lifetime student loan borrowing. It could also lead to fewer lifetime Pell dollars being spent on these students because students would receive a small amount of extra Pell funds for each term at greater than 12 credits, rather than an extra term, or year, or two years of a full scheduled award.

Throughout its history, Pell has offered millions of Americans the hope for a better future and upward mobility--and we are appreciative of the historically bipartisan support for the program. While we agree the program should be evaluated so that it may better meet the needs of current students, we are hopeful that throughout this next reauthorization, and for years to come, the Pell Grant will remain the cornerstone of the federal student aid programs.

Appendices:

Appendix A: NASFAA History of Federal Methodology and Pell Changes
Appendix B: NASFAA Reimagining Aid Design and Delivery (RADD) report
Appendix C: NASFAA A Tale of Two Incomes: Comparing Prior Prior Year and Prior Year through Pell Grant Awards

Legislative Changes to Federal Methodology and the Pell Grant Program, 2006–2012

Effective Date	Legislation	HEA citation	Change	Comment
7/1/06	HERA	479	Added receipt of a federal means-tested benefit during the base year as an alternative eligibility criterion for simplified needs test (SNT) and automatic zero EFC designation. For dependent students, only the dependent student's parent has to meet the tax filing criterion in order to qualify for SNT or automatic zero EFC. Increased the adjusted gross income threshold in the base year to $20,000 or less for the student to qualify for an automatic zero EFC.	Receipt of federal means-tested benefit is an alternative to the tax-filing criterion; family income requirements still apply. Previously, the threshold was indexed to the maximum amount of adjusted gross income used to qualify for the Federal earned income credit.
7/1/06	HERA	480(f)(2)	Excludes the net value of a family-owned and controlled small business (or any part of such a small business) with not more than 100 full-time or full-time equivalent employees from the definition of assets used in the need analysis formulas.	
7/1/06	HERA	480(d)	Individuals who are currently serving on active duty in the U.S. Armed Forces for purposes other than training have been added to the list of individuals who are considered to be independent students.	
7/1/07	HERA	475(g)(2)(D) and (h)	Dependent students: Income Protection Allowance: changed from $2,200 (which was the base year 1999 amount used in the 2000–01 EFC calculation) to $3,000. Contribution from Assets: The assessment rate is reduced from 35 percent to 20 percent.	Because the base year amount is indexed annually for inflation, the IPA would have been $2,640 for 2007–08 absent this increase to $3,000. The new base year for the annual inflationary update is 2006. The $3,000 IPA will be indexed for inflation annually beginning with the 2008–09 award year.

Effective Date	Legislation	HEA citation	Change	Comment
7/1/07	HERA	476(b)(1)(A)(iv)	Independent students without dependents other than a spouse: Income Protection Allowance: The statutory IPA for a single student, and for a married student whose spouse is also enrolled in postsecondary education, is changed from $5,000 to $6,050.	Because the base year amount is indexed annually for inflation, the IPA would have been $6,010 for 2007–08 absent this increase to $6,050. The new base year for the annual inflationary update is 2006. The $6,050 IPA will be indexed for inflation annually beginning with the 2008-09 award year.
			For a married student whose spouse is not enrolled in postsecondary education, the IPA is changed from $8,000 to $9,700. Contribution from Assets: The assessment rate is reduced from 35 percent to 20 percent.	Because the base year amount is indexed annually for inflation, the IPA would have been $9,620 for 2007–08 absent this increase to $9,700. The new base year for the annual inflationary update is 2006. The $9,700 IPA will be indexed for inflation annually beginning with the 2008–09 award year.
7/1/07	HERA	466(c)(4) and 478(b)	Independent students with dependents other than a spouse: Income Protection Allowance: for the 2007–08 award year only, and only for independent students with dependents other than a spouse, the values for the income protection allowances will be increased by 5 percent. Contribution from Assets: The assessment rate is reduced from 12 percent to 7 percent.	The values for the income protection allowances are increased each year in consideration of general price inflation, and this practice will continue. The Secretary's estimate for inflation for the 2007–08 award year is 2.8 percent.
7/1/07	HERA	480(f) and (j)	Qualified education benefits reported as asset of parent if the parent is the owner (never reported as asset of the student).	QEBs include Coverdells, prepaid tuition plans offered by states, 529 college savings plans, and 529 prepaid tuition plans.
7/1/07	Revised Continuing Appropriations Resolution of 2007		Increased maximum Pell award by $260, to $4,310.	

Effective Date	Legislation	HEA citation	Change	Comment
7/1/07	CCRAA	401(b)(3)(A)	Eliminated tuition sensitivity provision that adjusted downward the scheduled award amount for Federal Pell Grant recipients at low-cost institutions, such as community colleges.	Effective retroactively
8/14/08	HEOA	401(c)(5)	Limits the period of time that a student may receive a Federal Pell Grant to 18 semesters or the equivalent as determined by regulation. The regulations are to provide fractional equivalents for terms in which a student is enrolled less than full-time. As a result, a student is eligible to receive up to nine Federal Pell Grant Scheduled Awards.	This provision applies to students who receive a Federal Pell Grant for the first time on or after July 1, 2008.
7/1/09	CCRAA	401(a), (b)	Extends the authority for Federal Pell Grant funding through fiscal year 2017, and appropriates mandatory funding for fiscal years 2008 through 2017. Requires that the mandatory funds be used to increase the maximum Federal Pell Grant award, as established in the annual appropriations act, by the following amounts: • $490 for the 2008–09 and 2009–10 award years • $690 for the 2010–11 and 2011–12 award years • $1,090 for the 2012–13 award year	The annual amount that would be added to the maximum Pell Grant each award year from mandatory funds as described above may be increased or decreased. If the mandatory funds provided are insufficient to fund the specified increase, the amount would be reduced. If, however, the mandatory funds provided are more than are required, the amount would be increased.

Effective Date	Legislation	HEA citation	Change	Comment
7/1/09	CCRAA	479(b), (c)	Increased time frame for receipt of a federal means-tested benefit from 12 to 24 months as an alternative eligibility criterion for simplified needs test (SNT) and automatic zero EFC designation.	Receipt of federal means-tested benefit is an alternative to the tax-filing criterion; family income requirements still apply.
			Added dislocated worker status of one of the parents of a dependent student or an independent student or his or her spouse as an alternative eligibility criterion for SNT and automatic zero EFC designation.	Definition of dislocated worker is found in Workforce Investment Act.
			Increased the adjusted gross income threshold in the base year to $30,000 or less for the student to qualify for an automatic zero EFC. Also requires the Secretary to update this amount annually based on increases in the Consumer Price Index.	
7/1/09	CCRAA	475(g)(2)(D) 476(b)(1)(A)(iv) 477(b)(4) 478(b)	Specifies scheduled increases in the IPA for dependent students, independent students without dependents other than a spouse and independent students with dependents other than a spouse. After the 2012–13 award year, the dollar amounts of the student IPAs will increase by a percentage equal to the Consumer Price Index.	The CCRAA did not make any changes to the IPA for parents of dependent students, but provides that the table of IPAs for parents of dependent students must be updated based on the percentage increase in the Consumer Price Index for award years after 2008–09.

Effective Date	Legislation	HEA citation	Change	Comment
7/1/09	CCRAA	480(a)(b),(d)-(f)	Changes to definitions of terms used in FM: • Total income: doesn't include distributions from qualified education benefits that aren't taxable • Untaxed income: doesn't include welfare, earned income credit, credit for federal tax on special fuels, foreign income exclusion, untaxed Social Security benefits, and additional child tax credits • Excludable income: includes combat pay • Independent student: includes students who were orphans, in foster care, or ward of the court at any time when age 13 or older, students who are/were emancipated minors or in legal guardianship, unaccompanied youths who are homeless or at risk of homelessness and are self-supporting • Assets: Qualified education benefits are reported as an asset of the parent of a dependent student regardless of whether the owner of the account is the student or parent. If the student is independent, the student's or student's spouse's qualified education benefit is reported as an asset.	
7/1/09	HEOA	401(b)(2)(A)	Increases the authorized maximums for an academic year under the Federal Pell Grant Program as follows: • $6,000 for the 2009–10 award year; • $6,400 for the 2010–11 award year; • $6,800 for the 2011–12 award year; • $7,200 for the 2012–13 award year; • $7,600 for the 2013–14 award year; and • $8,000 for the 2014–15 award year.	

Effective Date	Legislation	HEA citation	Change	Comment
7/1/09	HEOA	401(b)(4)	Eliminated the $400 minimum award and instead sets a new minimum award at 10 percent of the maximum award appropriated each year. Students who are eligible for an award equal to or greater than five percent but less than 10 percent of the maximum award will receive an award amount of 10 percent of the maximum award appropriated each year.	
7/1/09	HEOA	401(b)(5)(A)	Year-round Pell Grant	
7/1/09	HEOA	401(b)(7)	Student who is subject to an involuntary civil commitment after completing a period of incarceration for a forcible or nonforcible sexual offense is ineligible to receive a Federal Pell Grant.	
7/1/09	HEOA	401(b)(8)(D) and (F)	Clarifies the treatment of the funds that are authorized and appropriated under section 401(a)(8) of the amended HEA for 2008–09 through the 2017–18 award years (mandatory funds) and that are added to the maximum award set in the annual appropriations act that appropriates the discretionary funds for the program. The HEOA provides that nothing regarding the additional mandatory funds alters the requirements and operations of the Federal Pell Grant Program except for the provisions setting the additional amounts from mandatory funds for individual awards or authorizes the imposition of additional requirements or operations for the determination and allocation of Federal Pell Grants except for the provisions setting the additional amounts from mandatory funds for individual awards. Further, the HEOA clarifies that additional mandatory funds that are appropriated for a fiscal year become available as of October 1 of that fiscal year and remain available through September 30 of the following fiscal year.	

Effective Date	Legislation	HEA citation	Change	Comment
7/1/09	HEOA	401(f)(4)	Provides maximum Federal Pell Grant eligibility for a student whose parent or guardian was a member of the Armed Forces and died as a result of performing military service in Iraq or Afghanistan after 9/11/2001, provided that the child was under 24 years old or was enrolled in college at the time of the parent or guardian's death. These students will be considered to be eligible for the maximum Federal Pell Grant award for the period during which the student is otherwise eligible to receive a Federal Pell Grant.	Students who are eligible for any amount of Pell receive the maximum award. Students who are not eligible for Pell receive the equivalent amount of the maximum award as an Iraq and Afghanistan Service Grant.
7/1/09	ARRA	401(b)(9)(A)	Increased maximum Pell award by $500.	
7/1/10	HEOA	480(e)	Added income earned from work under a cooperative education program to the definition of excludable income.	
7/1/10	HCERA	401(b)	Pell Grant maximums in future years changed to reflect an appropriated base with a mandatory add-on. From 2014–15 through 2017–18, increases to the mandatory add-on based on estimated changes to the consumer price index (CPI).	
7/1/10	HCERA	401(b)(4)	Revises the minimum Pell Grant from 10 percent of appropriated maximum to 10 percent of total maximum (appropriation + mandatory add-on).	
7/1/10	HCERA	401(b)(6)	Continues to allow the Pell Grant to be exceeded for study abroad but caps the grant at the total maximum (appropriation + mandatory add-on) rather than the appropriated maximum.	
7/1/12	Budget Control Act of 2011	401(b)(7)(A) (iv)	Provides an additional $10 billion in mandatory funds for Pell in FY 2012 and $7 billion for FY 2013.	A portion of the $10 billion was savings from the elimination of the Stafford Loan subsidy for graduate students.

EFFECTIVE DATE	LEGISLATION	HEA CITATION	CHANGE	COMMENT
7/1/12	Consolidated Appropriations Act of 2012	479(c)	Reduces the income threshold for an automatic zero expected family contribution (EFC) from $30,000 to $23,000.	
7/1/12	Consolidated Appropriations Act of 2012	401(b)(7)(A) (iv)	Includes funds to establish the maximum Federal Pell Grant award for the 2012–13 Award Year at $4,860.	However, HEA section 401 (b)(7) provides for an automatic mandatory increase to the appropriated Federal Pell Grant maximum award for 2012–13 of $690, resulting in a 2012–13 maximum award of $5,550.
7/1/12	Consolidated Appropriations Act of 2012	401(b)(4)	Establishes the minimum Federal Pell Grant award for a student at ten percent of the maximum award amount for the award year and eliminates the provision that permitted a student who would be eligible to receive a Federal Pell Grant of between five and ten percent of the award year's maximum award to receive an award of ten percent of the maximum award.	Students will not receive a Federal Pell Grant if they are not eligible for at least ten percent of the maximum award for the academic year. This change in the calculation of the minimum award amount results in 4995 being the maximum EFC enabling a student to be eligible to receive a 2012–13 Federal Pell Grant.
7/1/12	Consolidated Appropriations Act of 2012	401(c)(5)	Reduces the duration of a student's eligibility to receive a Federal Pell Grant from 18 semesters (or its equivalent) to 12 semesters (or its equivalent).	Applies to all Federal Pell Grant eligible students effective with the 2012–13 award year (i.e., no "grandfathering"). The calculation of the duration of a student's eligibility will include all years of the student's receipt of Federal Pell Grant funding. This change in the duration of students' Federal Pell Grant eligibility is not limited only to students who received their first Federal Pell Grant on or after the 2008–09 award year, as the HEA previously provided when the duration of eligibility was 18 semesters.

Appendix B: NASFAA Reimagining Aid Design and Delivery (RADD) report

[The report, "Reimagining Financial Aid to Improve Student Access and Outcomes," may be accessed at the following Internet address:]

http://www.nasfaa.org/radd-event/

Appendix C: NASFAA A Tale of Two Incomes: Comparing Prior-Prior Year and Prior Year through Pell Grant Awards

[The report, "A Tale of Two Income Years: Comparing Prior-Prior Year and Prior-Year Through Pell Grant Awards," may be opened at the following Internet address:]

http://www.nasfaa.org/ppy-report.aspx

Chairwoman FOXX. Thank you very much.

Dr. Robinson, you are recognized for five minutes.

STATEMENT OF DR. JENNA ASHLEY ROBINSON, DIRECTOR OF OUTREACH, JOHN W. POPE CENTER FOR HIGHER EDUCATION POLICY

Ms. ROBINSON. Madam Chair, Ranking Member Hinojosa, and distinguished members of the committee, thank you for this opportunity on my own behalf and on behalf of the Pope Center.

Pell grants, the Pell program faces two serious problems today. First, the increasing cost to the taxpayer and its failure to serve students well. The program, in short, is too expensive, and too few students graduate. By returning the Pell program to its roots, it is possible to trim costs while improving student success and access. Let me start with costs.

In 2011–2012, over 9 million students received Pell grants. Awards totaled more than $33 billion. Thirty-five percent of all U.S. students received some form of Pell grant. Since the creation of the program, participation has grown more than 4,500 percent, and much of that growth consists of middle-income students. Eight percent of Pell recipients come from families whose income is higher than the national median, and 60 percent of the Pell recipients come from families above the federal poverty threshold.

It may seem ironic that these middle-income students do not, in general, benefit from Pell grants. Students from families earning $25,000 to $55,000 who receive Pell grants are actually less likely to graduate than non-recipients with the same income. For low-income students the opposite is true. Pell recipients whose families earn less than $25,000 are more likely to graduate than non-recipients with the same income. In short, Pell grants help our neediest students achieve graduation but do not improve graduation rates for middle-income students.

Pell grants also work best for students with strong academic backgrounds. The college retention rate of Pell recipients who took a rigorous curriculum in high school was 87 percent, compared to just 57.6 percent for grantees without a rigorous curriculum. Pell recipients with SAT scores between 400 and 800 graduated at a rate of only 34.2 percent. Those with scores between 1140 and 1600, out of 1600, graduated at a rate of 73.7 percent. Similar differences are seen when high school GPAs of Pell grantees are compared.

With that in mind, we have several recommendations. First and foremost, we need better data so the Department of Education can evaluate the effectiveness of Pell grants. And second, we need to make sure that the public can have access to that data. But better data are just a start. Financial eligibility should be limited to students whose income falls below 133 percent of the federal poverty level, a cutoff commonly used for qualification for programs such as Medicaid. With a simple cutoff, the FAFSA can be simplified.

For very low-income students, full eligibility could be determined in only five or six questions instead of the long form that students face today. And for students who are not very low-income, the form could be simplified, but not quite to that extent. Colleges and universities, next, should place limits on students' Pell grant money to stop students from receiving grants and then dropping out of their courses. One positive example comes from North Carolina, from Central Piedmont Community College. They have implemented several policies to do just that.

They don't disburse grants until after 10 percent of the semester has been completed. They disburse money in two parts over the semester to make sure that students stay around. And they limit what can be purchased with financial aid. Next, grants should go to students who are prepared for the challenge of college work. Academic requirements for initial and continuing Pell eligibility should be tightened. One option to do so would be to match academic standards set by the National Collegiate Athletic Association, which requires first-year athletes to have completed certain high school courses.

It also requires students to have taken ACT or the SAT and to meet threshold scores based on GPA. Such a policy would focus on the students most likely to succeed, and give them an incentive to better prepare for college. To further encourage students to graduate, grant amounts should be linked to enrollment intensity. Students who receive the maximum award should be expected to take 15 credit hours, not 12. Also, this could be coupled with the Pell Well concept introduced by the National Association of Student Financial Aid Administrators, which bases awards on a 12-month schedule rather than the academic year.

In sum, the current Pell program faces serious challenges. But we can meet those challenges with better data, financial planning and student accountability. Thank you.

[The statement of Ms. Robinson follows:]

House Committee on Education and the Workforce
Subcommittee on Higher Education and the Workforce
December 3, 2013

"Linking Access and Success: Reforming the Pell Grant Program"

Witness: Jenna Ashley Robinson, Ph.D., The John W. Pope Center for Higher Education Policy

Madam Chair, Ranking Member Hinojosa, and Distinguished Members of this Panel, thank you for this opportunity.

The Pell grant program faces two serious problems today: its increasing cost to the taxpayer, and its failure to serve students well. The program is too expensive and too few students graduate. By returning the Pell program to its creators' initial vision, it's possible to trim costs while focusing on student success and access to higher education.

The Pell program provided grants to over 9 million students in 2011-2012, with awards totaling more than $33 billion. Over 35 percent of all students in the U.S. received Pell grants.[1]

Too many students receive Pell grants. Since the creation of the Pell program, participation has grown more than 4500 percent.[2] Much of that growth consists of middle-income students. Eight percent of Pell recipients come from families whose income is higher than the national median. Sixty percent of Pell recipients come from families above the federal poverty threshold.[3]

It may seem ironic but evidence shows that these middle-income students do not benefit from Pell grants. Recent academic research has shown that students from families earning between $25,000 and $50,000 per year who receive Pell grants are less likely to graduate than those who do not receive grants.[4]

For low-income students, the opposite is true. Pell recipients whose families earn less than $25,000 per year are more likely to graduate than non-recipients with the

---

[1] U.S. Department of Education, 2011-2012 Federal Pell Grant End-of-Year Report (Washington, DC: Office of Postsecondary Education, 2013).
[2] ibid
[3] ibid
[4] Alexandra Walton Radford, Lutz Berkner, Sara C. Wheeless, and Bryan Shepherd. *Persistence and Attainment of 2003-04 Beginning Postsecondary Students: After 6 Years*, NCES 2011-151 (Washington, DC: National Center for Education Statistics, Institute for Education Sciences, U.S. Department of Education, 2010).

same income.[5] In short, Pell grants help our neediest students achieve graduation—but do not improve graduation rates for middle-class students.

Pell grants also work best for students with strong academic backgrounds. One 2002 study showed the college retention rate of Pell recipients who took a rigorous curriculum in high school was 87 percent—compared to just 57.6 percent for grantees who took a basic curriculum or lower.[6] Another study showed that Pell recipients with SAT scores between 400 and 800 (out of a 1600-point total) graduated at a rate of only 34.2 percent, while those with scores between 1140 and 1600 graduated at a rate of 73.7 percent.[7] The same study found similar differences when the high school GPAs of Pell grantees are compared.

We can address both of these problems—the rising cost to the taxpayer and the failure to help students significantly—to some extent by collecting better data. The first step is to augment the Pell disclosure provision of the 2008 reauthorization of the Higher Education Act; Data on Pell recipients' retention and graduation rates should be not only disclosed, but reported to IPEDS. This change will enable the Department of Education to evaluate the effectiveness of the Pell grants. The second step is to make sure that the public can have access to the data. But there is more to be done.

In order to use federal dollars effectively, eligibility requirements should be tightened so that only very low-income students receive Pell grants. Eligibility should be limited to students whose income falls below 133 percent of the federal poverty level—a cutoff commonly used for qualification for other federal programs such as Medicaid. It would help applicants immensely if the federal government would simplify the financial aid application process for low-income students. For example, for students in a household that receives Medicaid or Supplemental Security Income, full eligibility could be determined in as few as five or six questions.

For students who come from families that are not on Medicaid or SSI, a change should be made to replace Median Cost of College with Cost of Attendance. Right now, students have an incentive to attend more expensive schools in order to receive more Pell grant funding. Additional information currently used in the EFC formula, such as parents' age or the number of family members who will attend college during the school year, should not be used to determine eligibility.

To further reduce costs, we must ensure that students are using Pell grants as intended. Reports indicate that some students obtain Pell grant funds but do not

---

[5] ibid

[6] Christina Chang Wei and Laura Horn. A Profile of Successful Pell Grant Recipients: Time to Bachelor's Degree and Early Graduate School Enrollment, NCES 2009-156 (Washington, DC: National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education, 2009).

[7] Radford et al., *Persistence and Attainment of Students.*

complete their courses. Thus, colleges and universities should place limits on students' Pell grant money.

In North Carolina, Central Piedmont Community College has implemented several new policies to do that. They include: not disbursing grant money until after 10 percent of the semester has been completed; not disbursing money if students haven't attended during the first 10 percent of the semester; disbursing money in two parts over the semester to make sure that the students stay around; limiting what can be purchased with financial aid in the bookstore; and a counseling and advising department that tracks academic progress and puts students on probation or suspension.

Because of low graduation rates under the current system, grants should go to students who are prepared for the challenge of college work. Academic requirements for initial Pell eligibility should be tightened.

One option to do so would be to match the academic standard set by the National Collegiate Athletic Association (NCAA), which requires first-year athletes to have completed certain high school courses. It also requires students to have taken the ACT or the SAT and to meet threshold scores based on GPA.[8] Such a policy would concentrate the government's scarce education funding on the students most likely to succeed and give students an incentive to take a more challenging high school curriculum to better prepare for college.

Requirements for continuing eligibility should also be tightened, either by preventing students who become academically ineligible at one institution from receiving Pell grants at other institutions or by imposing tighter uniform standards for continuing grants.

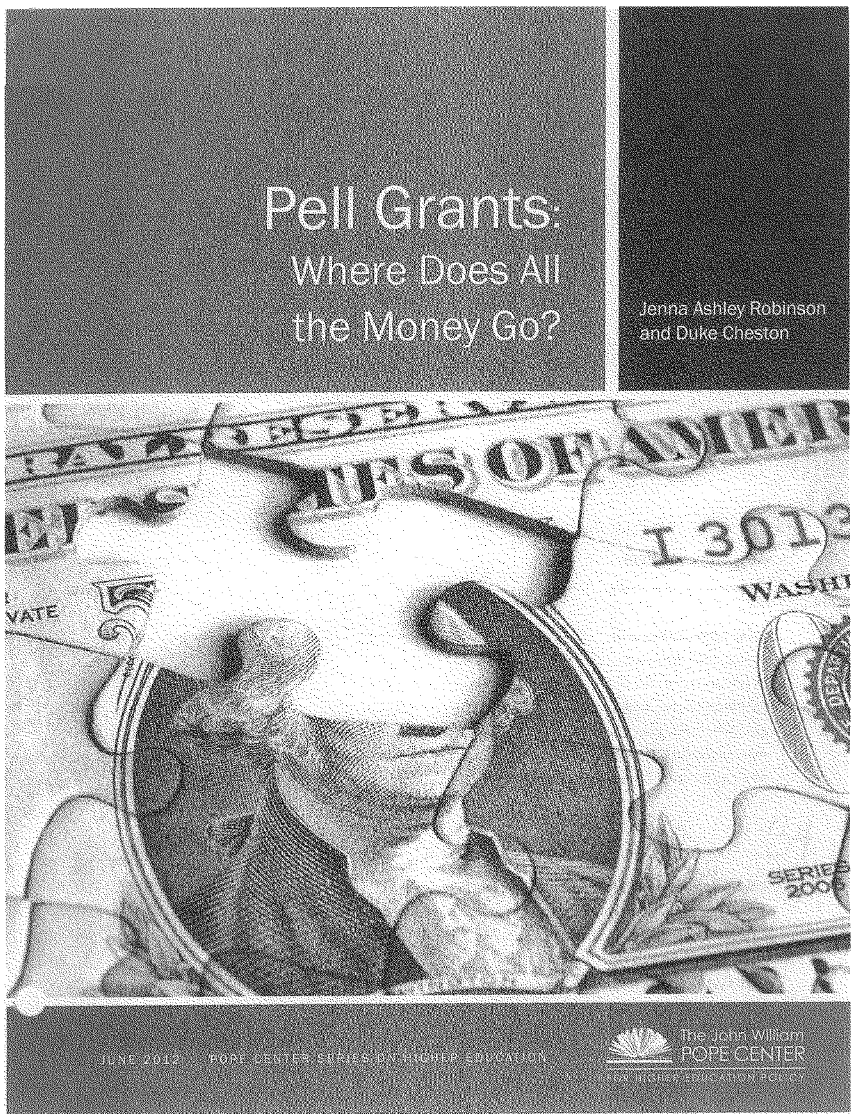
To further encourage students to graduate, grant amounts should be better linked to enrollment intensity, as recommended by both HCM Strategists and the National Association of Student Financial Aid Administrators. That is, students who receive the maximum award should be expected to take 15 credit hours, not 12. Grant amounts for less than full-time enrollment should be prorated based on the new 15-hour limit. This change will increase the likelihood that Pell students will complete associate's degrees in two years or baccalaureate degrees in four years. It could be coupled with the "Pell Well" concept introduced by NASFAA, which bases awards on a 12-month schedule rather than the academic year[9].

In sum, the current Pell program faces serious challenges. But we can meet those challenges with better data, financial planning, and student accountability.

---

[8] *The Federal Pell Grant Program: Recent Growth and Policy Options.* Congressional Budget Office, 2013.

[9] *Reimagining Financial Aid to Improve Student Access and Outcomes.* National Association of Student Financial Aid Administrators, 2013.


Pell Grants:
Where Does All
the Money Go?
Jenna Ashley Robinson
and Duke Cheston
JUNE 2012 POPE CENTER SERIES ON HIGHER EDUCATION
The John William
POPE CENTER
FOR HIGHER EDUCATION POLICY

About the Authors

Jenna Ashley Robinson joined the Pope Center as outreach coordinator in January 2007. She was previously the E.A. Morris Fellowship assistant at the John Locke Foundation, where she has worked since 2001. Robinson graduated from North Carolina State University in 2003 with a major in political science and French. She received her master's degree in political science from UNC-Chapel Hill in December 2005 and her Ph.D. in political science, with a concentration in American politics and a minor in methods, in 2012.

Duke Cheston joined the Pope Center in 2010 as a reporter and writer. He is a 2010 graduate of UNC-Chapel Hill, where he studied biology. At UNC he wrote for *Carolina Review*, UNC's only conservative publication. He wrote a number of provocative articles and won several awards, including "Article of the Year." Since starting work for the Pope Center, Cheston has also participated in the Claremont Institute's Publius Fellowship Program and the E.A. Morris Fellowship for Emerging Leaders.

Pell Grants:
Where Does All the Money Go?

The John William
POPE CENTER
FOR HIGHER EDUCATION POLICY

333 E. Six Forks Road
Suite 150
Raleigh, NC 27609
919.828.1400
Fax: 919.828.7455
popecenter.org

To the Reader

The federal Pell Grant Program provides grants to millions of college students. It is the federal government's largest education expenditure and costs taxpayers over $35 billion per year.

Although the program started out as a way to provide college access to low-income students, it has grown so vast in recent years that nearly 60 percent of all undergraduates received a Pell grant for the academic year 2009-10. Out of the 16.4 million undergraduate students enrolled in the United States, 9.6 million students received Pell grants.

In spite of the high cost, few people have scrutinized the effectiveness of Pell grants. This report, "Pell Grants: Where Does All the Money Go?" by Jenna Ashley Robinson and Duke Cheston, brings together what is known about Pell grants to determine how well the program serves the students who receive them and the taxpayers who fund them.

I urge you to review these surprising findings and consider whether the program should be modified. Unlike today's program, it could be directed only to low-income students, and it could be reserved for those who have shown a degree of commitment to academic work.

This paper is sponsored by the John W. Pope Center for Higher Education Policy, whose mission is excellence in education. For additional copies, contact the center at **info@popecenter.org**.

Jane S. Shaw

Jane S. Shaw
President
John W. Pope Center for Higher Education Policy

Pell Grants:
Where Does All the Money Go?

Jenna Ashley Robinson and Duke Cheston

Pell grants are need-based grants given to millions of undergraduate students every year, in amounts ranging from $555 to $5,550 per student.[1]

The Pell Grant Program is the federal government's largest education expenditure. In the 2010-2011 academic year, Pell grants cost taxpayers $35.6 billion.[2]

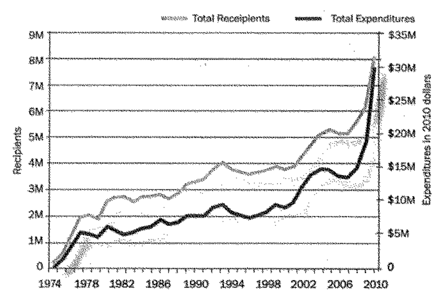
Although the program began as a way to provide college access to low-income students, it has grown so vast in recent years that *nearly 60 percent of all undergraduates received a Pell grant in the 2009–2010 academic year.* Of the 16.4 million undergraduate students enrolled in college in the United States in 2010,[3] 9.6 million received Pell grants.[4]

The program's cost roughly doubled between 2008 and 2010, in part because the president and Congress increased its funding and shielded it from budget cuts. The number of grant recipients increased by more than 50 percent over the same period.[5]

Despite its large numbers and high cost, few people question the effectiveness of Pell grants. This report brings together what is known about Pell grants to determine whether the program effectively serves the students who receive them and whether taxpayers are getting an acceptable return on their investment of billions of dollars per year.

In our view, funding should be evaluated in terms of whether students who receive Pell grants complete college, yet information about graduation is not collected or reported by the DOE. The program's stated goals focus on getting students into but not on getting them through college or, indeed, accomplishing any measurable goal beyond enrollment. The DOE states that the program "helps ensure access to postsecondary education for low- and middle-income undergraduate students."[6]

Total Pell Grant Recipients and Expenditures, 1974-2010



Source: 2009-2010 Federal Pell Grant Program End-of-Year Report, *U.S. Department of Education, Office of Postsecondary Education*

BACKGROUND

Pell began as a 1972 amendment to the Higher Education Act of 1965. Originally called the Basic Educational Opportunity Grant, it was renamed in 1980 after Senator Claiborne Pell, who initiated the amendment.

Profile of a Pell Recipient

The public perception of Pell grant recipients as eighteen- to twenty-two-year-olds living with low-income parents is erroneous on several counts. For one thing, as the figures above indicate, more than half of all students enrolled in college receive Pell grants, so many recipients are middle-income, not low-income. Typical Pell grantees are also older than the typical college student and are financially independent. They may have families of their own.

The average Pell grant recipient differs from the typical undergraduate in a number of ways, as a 2009 study by Christina Chang Wei and Laura Horn indicates.[7] These researchers used the latest National Center for Education Statistics (NCES) figures for Pell and non-Pell students who earned bachelor's degrees. Thus, they included only academically successful students and did not include students who pursued two-year degrees (even though such individuals do receive Pell grants). Wei and Horn included all bachelor's degree recipients, not just lower-income students who earned bachelor's degrees.

Sixty percent of Pell recipients in the NCES data were women, compared with only 56 percent of all undergraduates. Pell students were 63 percent white, 13 percent Hispanic, 12 percent black, and 7 percent Asian. Non-Pell students were 80 percent white, 6 percent Hispanic, 6 percent black, and 5 percent Asian.

Grantees also had a number of risk factors that made them more likely to drop out before obtaining a degree. For instance, many Pell recipients had delayed enrolling in college. This is reflected in the data, which show that 45.7 percent were twenty-five or older when they graduated, compared to only 27.4 percent of non-recipients. Another NCES study conducted by Alexandria Walton Radford et al., reports that Pell grant recipients also have lower SAT scores than non-recipients: 914 as compared to 1010.[8]

The Wei and Horn 2009 study also indicates that Pell grant recipients who earned bachelor's degrees are more likely than non-recipients to be financially independent (60 percent versus 34 percent), to have dependents (24 percent versus 13 percent), and to be a single parent (11 percent versus 4 percent). In addition, nearly twice as many Pell recipients (proportionally) had parents with only a high school diploma or less (41 percent versus 21 percent), and nearly twice as many came from non-English-speaking homes (16 percent versus 8 percent). All of these circumstances are considered risk factors for dropping out.

A typical Pell recipient:

- Female
- 25 years old
- White
- Financially independent
- Works part-time
- Enrolled full-time
- 914 SAT score (out of 1600)

Maximum Awards (FY 2011-2012)

Full-time	$5,500
3/4 time	$4,163
Half-time	$2,775
1/4 time	$1,338
Minimum	$555

Source: Office of Federal Student Aid. 2010-2011 Federal Student Aid Handbook. *http://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook&awardyear=2010-2011*

Who Gets Pell Grants?

Pell grant eligibility is based on several, primarily financial, criteria and on whether a student is enrolled in college full-time or part-time.

Eligibility and awards are based on the Expected Family Contribution (EFC), a figure that is the measure of a family's financial strength, including income and assets as well as family size and other characteristics. Low-income students often have an EFC of zero, which guarantees Pell eligibility. (For details on calculating the amount, see the Appendix.)

Even if a family has a middle-class income, it can sometimes qualify for a Pell grant. One reason is that multiple students in the family will be enrolled in college; another is that the Cost of Attendance (COA) of the school the student wishes to attend may be high. Including a COA to calculate the grant means that some students may qualify for Pell grants if they attend an expensive school, but not if they select one that is more affordable. (See the Appendix for details.)

Most Pell grant recipients come from families making $20,000 per year or less: the figure was 58.9 percent in 2009–2010.[9] This is a large number, and the family income is low. However, the image may be misleading. As stated above, the majority of Pell grant recipients, regardless of income, are independent. That is, they no longer live with, or depend upon, their parents. As the 2009-2010 end-of-year report from the NCES indicates, in that year, only 39 percent of all recipients were dependents. The recipients who were not dependents fell into two groups—20 percent of all recipients had no dependents other than a spouse and 39 percent had dependents other than a spouse.[10]

Many students do not come from families living in poverty. As the NCES review shows, in 2009–2010, roughly 6 percent of Pell grant recipients had a family income of more than $50,000.[11] (The median household income of the United States was $49,445 in 2007.)[12] Almost 20 percent of students who receive Pell grants come from families in the top three income quartiles (i.e., earning more than $36,080 in 2009–2010).[13] And nearly a quarter of Pell grant students report family income of more than 133 percent of the federal

In 2009–2010, 20.1 percent of Pell recipients whose families made more than $60,000 attended institutions at which total costs were $30,000 per year or more instead of choosing a less expensive school.

poverty level (that is, income above $30,000), a cutoff commonly used for qualification for other federal programs such as Medicaid.[14]

Many students from this category choose to attend private schools or expensive public schools. In 2009–2010, 20.1 percent of Pell recipients whose families made more than $60,000 attended institutions at which total costs were $30,000 per year or more (like Wake Forest University) instead of choosing a less expensive school (like UNC-Chapel Hill). By comparison, only 13 percent of students whose families made between $15,001 and $20,000 attended such institutions.[15]

ACADEMIC QUALIFICATIONS

Academic requirements to receive a Pell grant are fairly minimal. To be eligible, a student must have earned a high school diploma or GED (a diploma considered equivalent to a high school degree), or passed a federally approved Ability to Benefit test (however, after July 1, 2012, this test will be eliminated as an option.)[16] In order to keep receiving the grant, a student must make "satisfactory academic progress" toward a college degree, a standard defined by each institution. This standard generally includes maintaining a certain GPA and a certain level of attendance, and passing a certain percentage of courses.

There is no minimum SAT or ACT score; nor is there a high school GPA requirement.

Students receiving Pell grants are generally less academically prepared than other students, as Christina Chang Wei and Laura Horn indicate in a 2002 NCES report on Pell recipients.[17] This study looked at those who received Pell grants, not just those who attained bachelor's degrees, and found that grantees were twice as likely to score in the bottom quartile for SAT scores (25 percent as compared to 12 percent for non-recipients). Only 21 percent of Pell recipients scored in the top quartile, compared to 34 percent of non-recipients. Wei and Horn also showed that Pell recipients were significantly less likely to have passed through a rigorous high school curriculum.

While there are highly prepared and poorly prepared students in both categories, the consistent theme of these figures is that Pell grant recipients are less academically prepared than other students to succeed in and graduate from college.

In Wei and Horn's 2009 study, Pell grant recipients tended to have slightly lower GPAs among students who graduated with a bachelor's degree (46.2 percent with GPAs over 3.5, as compared to 50.6 of non-recipients). Considering the low SAT scores of recipients, this is quite good, but we can reasonably speculate that GPAs for Pell grantees would be considerably lower if dropouts had been included in the study.

Choice of major among Pell recipients was generally in line with non-recipients, with a few exceptions. Recipients were more likely to major in education (11.4 percent compared to 7.4 percent) and less likely to major in business (16.8 percent compared to 23.5 percent).

PARTICIPATION, RETENTION, AND GRADUATION

To determine whether the goals of the Pell Grant Program are being achieved, we looked at several standard ways to measure academic success. Do Pell grants bring more students to college who otherwise would not attend—that is, do they increase participation (i.e., enrollment)? Do those recipients stay in college (that is, do Pell grants increase retention)? And finally, do grantees graduate in larger numbers than in the past?

Pell grants have been somewhat effective in getting low-income students into college, but not effective in helping them to graduate.

The DOE does not regularly track or publish graduation rates of Pell recipients. However, Pell recipients are included in the federal Beginning Postsecondary Students Longitudinal Study, which publishes graduation rates about once a decade. Together, these studies provide a fairly accurate picture of the academic achievement of Pell grant recipients.

In addition, there are reports on outcomes for low-income students, many of whom receive Pell grants. Researchers do not always agree on the definition of low-income. For the purposes of this report, we consider anyone with an income in the bottom quartile (less than $36,080 per year in 2009) to be low-income.

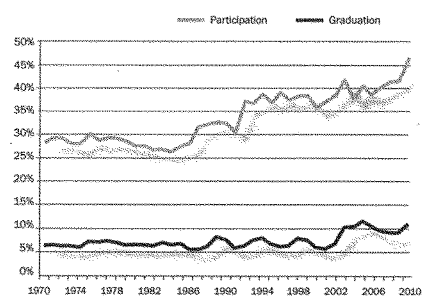
To begin, it appears that the Pell Grant Program has led more low-income high school graduates to enter college. In 1970, 45.8 percent of high school graduates in the bottom-income quartile enrolled in college. In 2009, that figure grew to 58.9 percent—a 28 percent increase in participation.[18]

Unfortunately, this large increase in college participation (and in Pell participation) has not led to a large increase in graduation among low-income students. *Postsecondary Education Opportunity*, a research newsletter dedicated to access to higher education, estimates that among high school students with family incomes in the bottom quartile who continue on to college, only 19.9 percent have completed bachelor's degrees by age twenty-four. That is a decline of 2 percent from 21.9 percent in 1970.[19]

So, Pell grants have been somewhat effective in getting low-income students into college, but not effective in helping them to graduate. As mentioned above, between 1970 and 2009, the percentage of low-income students who enrolled in college rose from 45.8 to 58.9. It is likely that Pell grants and other funds played a role in this increased participation. However, an increase in high school graduation rates among low-income students—from 61.6 percent in 1970 to 70.3 percent in 2009—was probably also a factor.

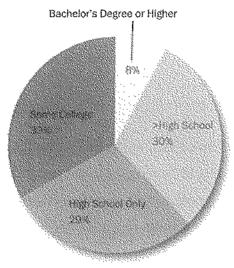
To determine whether Pell grants are a decisive factor in higher student participation and retention in college, we must look to evidence that is broader than studies of Pell grants per se.

Estimated College Participation and Baccalaureate Degree Attainment Rates of Low-Income Students



Source: Census Bureau and National Center for Education Statistics via Postsecondary Education Opportunity

Educational Attainment by Age 24 of Dependent Low-Income Students, 2009



Source: Census Bureau and National Center for Education Statistics via Postsecondary Education Opportunity

The National Bureau of Economic Research (NBER), a private research organization, recently reviewed and published a study on the available literature on financial aid. It concluded that lowering the annual price of higher education by $1,000 (either through tuition reductions or non-repayable aid) leads to a 3 to 5 percentage point increase in postsecondary attendance.[20] In other words, the effect of $100,000 spent on one hundred students would be that three to five students who would not have chosen to go to college would change their minds because of the availability of increased aid.

The effect of that $1,000 per student is five times stronger on students whose families earn $25,000 annually than on students whose families earn $75,000. This suggests that when Pell grants are targeted toward very low-income students, they can be effective at increasing participation rates. However, Pell grants are no longer targeted toward the very poor.

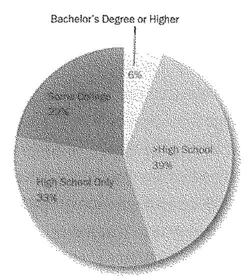
As mentioned, while the DOE does not regularly release graduation rates for Pell grantees, it often releases retention rates. Various scholars have studied these rates, which reveal two trends: (1) Pell grants have done little to increase retention rates among most students, and (2) high school academic performance is more important than financial aid in determining education outcomes.

A 2011 study by the American Enterprise Institute reviewed the existing literature on retention rates in higher education. The author reported that the estimated effect of an additional $1,000 in any kind of need-based aid (not limited to Pell grants) was a 2 to 4 percentage point increase in retention.[21] This is approximately the same increase reported in the NBER study.

However, the initial positive effects of receiving a Pell grant do not last throughout a student's college career. A 1990 study published in *Research in Higher Education* revealed that grants and loans have differential results on student retention depending on which years the student is in college when he or she receives them. Grants become less important the longer a student stays in school; loans and money earned from work become more important.[22]

According to this study, for example, for a first-year student deciding whether to continue attendance in college, a $100 increase in grants increased the probability of attendance by .36 percentage points, and a $100 increase in loans increased this probability

Educational Attainment by Age 24 of Dependent Low-Income Students, 1970



Source: Census Bureau and National Center for Education Statistics via Postsecondary Education Opportunity

by .20 percentage points. For a third-year student deciding whether to continue attendance, however, a $100 increase in grants did not affect the probability of attendance, and a $100 increase in loans increased this probability by .23 percentage points. In contrast, a $100 increase in money earned from work increased the probability of college attendance for third-year students by .41 percentage points.

These findings may explain why graduation rates for Pell recipients remain low. While Pell has a small but significant influence on most students in their first few years of school, its apparent effects don't last until graduation.

Although few data have been released on Pell recipients' graduation rates, the NCES study conducted by Radford et al., does examine graduation rates.[23] The authors found that among all low- and middle-income students at four-year universities in 2003–2004, Pell grant recipients graduated at lower rates than non-recipients: 50.4 percent of recipients graduated, while 53.9 percent of non-recipients graduated.[24] While the reasons for this aren't entirely clear, perhaps paying for college out-of-pocket or through loans makes students more reluctant to "waste" their past spending and drop out—a concern that does not apply to those receiving "free" grant money. (This study reported on all students from families earning $50,000 or less per year.)

Pell *did* raise graduation rates among one population: very low-income students. The graduation rate among very low-income students (AGI ≤ $25,000) was 51 percent for Pell grants recipients and 44.1 percent for non-recipients.[25] Thus, it appears at first that the original intent of the program—to help more low-income students go to college—has, to a limited extent, been achieved.

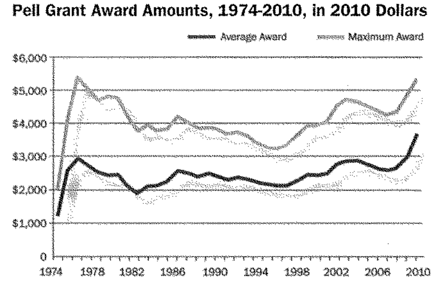
However, even though Pell grants help low-income students go to college, the role of high school academic ability and performance dwarf all financial factors in predicting retention rates, according the 2002 Wei and Horn study. The college retention rate of Pell recipients who took a rigorous curriculum in high school was 87 percent—compared to just 57.6 percent for grantees who took a basic curriculum or lower in high school.[26]

Data from the study by Radford et al., strengthen those findings. Using 2009 NCES data, the authors found that Pell recipients with SAT scores between 400 and 840 graduated at a rate of 34.2 percent. Those with SAT scores between 1140 and 1600 graduated at a rate of 73.7 percent.[27] Grantees with high school GPAs of 3.5 or higher graduated at a rate of 72.7 percent. Those with a GPA of 2.0 to 2.4 graduated at a rate of 29.7 percent.[28]

WHY SUCH GROWTH IN THE PELL PROGRAM?

Since its inception in 1973, the federal Pell Grant Program has grown significantly, measured in terms of participation and expenditures. In the first year of the program, 176,000 students received Pell grants. In 2010–2011, 9.6 million students received Pell grants—an astounding increase of nearly 4500 percent.[29] Out of the 16.4 million undergraduate students enrolled in

Pell Grant Award Amounts, 1974-2010, in 2010 Dollars



Source: 2009-2010 Federal Pell Grant Program End-of-Year Report, *U.S. Department of Education, Office of Postsecondary Education*

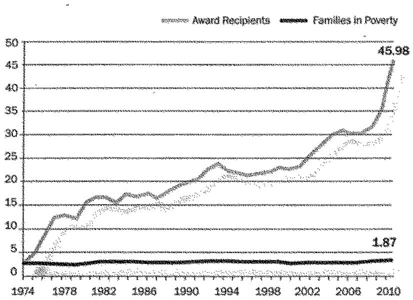
17 percent of Pell grant money contributes to colleges' bottom lines without making college more affordable for recipients, the students.

college in the United States in 2010–2011,[30] 58 percent received Pell grants.[31]

Thus, almost all the growth in Pell Grant Program expenditures can be traced to the skyrocketing number of participants. Award amounts have not been increasing; since 1973, the average and maximum award amounts for Pell recipients have remained relatively flat in real terms (see figure 5). During that same time period, tuition has increased at more than 6 percent per year, perhaps fueled in part by Pell grants.

Some of the early growth in Pell Grant Program participation can be attributed to changes in eligibility requirements. In 1973–1974 only full-time freshmen with demonstrated financial need were eligible to participate. In 1974–1975, the program grew to include full-time sophomores. In 1975–1976, the rules were changed to include freshmen and sophomores regardless of enrollment status. And in 1976–1977, the program was opened to all undergraduate students with demonstrated financial need. But those early changes in eligibility contributed to just 17 percent of the growth in the program's expenditures. The rest of the growth in Pell grant expenditures occurred after 1977. Participation in the Pell program grew 400 percent even after modifications in eligibility had been instituted.

Growth in Pell Grant Recipients and Families in Poverty, Relative to 1973-74 Level



Source: Census Bureau, Current Population Survey, Annual Social and Economic Supplements *and* 2009-2010 Federal Pell Grant Program End-of-Year Report, *U.S. Department of Education, Office of Postsecondary Education*

Another small proportion of the growth in Pell grants since 1974 can be attributed to growth in the percentage of Americans living in poverty. From 1974 to 2010, the number of families living in poverty nearly doubled.[32] But that cannot explain the 4500 percent increase in the number of Pell recipients.

The vast increase in the number of Pell grant recipients over nearly four decades appears to be the result of changing popular attitudes about high school graduation and college attendance. A larger portion of students graduate from high school, and high school graduates are now routinely expected to attend college. Pell grants have made it easier for them to enroll. With minimal requirements in terms of academic standards, and with requirements for financial eligibility having remained the same or even loosening, many more students have sought and obtained grants.

Since FY 1995–1996, the Pell Grant Program has been administered as a *de facto* entitlement: Congress approves full funding of the program without regard to budgetary constraints or number of applicants. All

students meeting certain criteria are guaranteed aid. But Congress has begun to address the problem of unchecked growth in Pell expenditures. In order to maintain the maximum Pell grant at its current level of $5,550, Congress has somewhat narrowed eligibility. It changed the EFC formula (as explained in the Appendix) and ended the opportunity for low-income students to obtain two grants in a single year.

PELL GRANTS AND THE COST OF COLLEGE

In addition to being expensive and inefficient in its effort to target low-income students, the Pell Grant Program contributes at the margin to rising college costs—defeating, in part, its purpose. In 1987, then Secretary of Education William J. Bennett stated that in the long run federal financial aid programs lead to higher tuition. Colleges raise tuition in order to maximize how much money they can "capture" from federal aid to students.

Numerous researchers have tried to document the "Bennett hypothesis." Although some have disagreed about the hypothesis, most studies show at least *some* effect of aid on tuition. For example, Columbia economics professor Lesley Turner recently concluded that colleges capture 17 percent of Pell grant aid. That is, 17 percent of Pell grant money contributes to colleges' bottom lines without making college more affordable for recipients, the students.[33]

Another study, released in February 2012 by Stephanie Riegg Cellini of George Washington University and Claudia Goldin of Harvard, used for-profit schools to test the Bennett hypothesis.[34] They discovered many for-profit institutions—offering education in fields ranging from agriculture to religion—that had not been included in previous official tallies since they do not receive federal subsidies. These schools provided a control group that could be compared to schools that do receive subsidies. Cellini and Goldin found that for-profit colleges whose students receive federal aid charge 75 percent higher tuition than for-profit colleges whose students don't receive aid, a result "lending credence to the 'Bennett Hypothesis.'"[35]

Some of the literature differs on the extent of the effect, but *Introducing Bennett Hypothesis 2.0*, a recent report by Andrew Gillen, research director of the Center for College Affordability and Productivity, sorts the factors out rather convincingly.[36] Gillen concludes that the Bennett hypothesis is real, but the degree of the effect differs depending on the type of aid. "Financial aid that is restricted to low-income students is much less likely to be captured by colleges," Gillen writes. Financial aid that is available to everyone (or nearly everyone), on the other hand, is likely to "simply fuel more tuition increases and therefore more likely to fail to make college more affordable."[37]

While Pell began as a financial aid program of the first variety—relatively small in scope, targeted to poor students, not leading to college cost increases—it is increasingly falling into the second category. Whereas recipients used to comprise a small fraction of all college undergraduates, they now constitute the majority, and Pell grants have increasingly been awarded to middle-class students.

Reflecting on this development, Gillen noted in an interview with the Pope Center that the federal government "did make the income qualifications less stringent" before the recession, opening the door to middle-class students. He speculates that those changes "could lead to more of an effect on tuition."[38] Recent efforts to return income qualifications to pre-recession levels may mute this effect.

In other words, when Pell grants are directed at very low-income students—who could not afford any amount of higher education without federal aid—those grants do

not contribute to higher tuition.[39] But with Pell funding now available for students whose families earn up to $60,000 per year (families that may include just one person—the student), a good deal of Pell funding may contribute to the rapid rise in college tuition. (And even when lower-income students choose to attend affordable schools, Pell grants can contribute to a rise in tuition if, in the absence of the availability of grant money, those students would have paid tuition via work or savings.)

RECOMMENDATIONS

In order to make the Pell Grant Program effective and fiscally sustainable, we recommend the following changes:

- Eligibility requirements should be tightened so that only very low-income students receive Pell grants. Only students whose family income is in the bottom quartile should be eligible. Very low-income students benefit most from Pell grants.
- Students should only be eligible to receive Pell grants if they have SAT scores of at least 850 (verbal and math) and a high school GPA of at least 2.5. Not only would this save taxpayer money, it would provide a positive incentive for students to do better in school. Students with very low high school academic performance are unlikely to graduate from college regardless of financial aid.
- Students should only be able to receive Pell grants for four years of full-time attendance. Students in their first few years of higher education benefit most from grants.
- The federal government should regularly track and publicly report participation, retention, and graduation rates for Pell grant recipients so that the department of education and education reform groups can evaluate the program's success.

These changes in the Pell Grant Program will save taxpayers billions of dollars by limiting the amount spent per year and halting Pell's contribution to college tuition increases. These changes will also maximize the effectiveness of the program by ensuring that grants go to the students who are best-prepared and most in need of financial aid.

Resources

[1] Office of Federal Student Aid. *2010-2011 Federal Student Aid Handbook.* http://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook&awardyear=2010-2011.

[2] Federal Student Aid, Data Center, Title IV Program Volume Reports by School, 2010–2011, http://federalstudentaid.ed.gov/datacenter/programmatic.html.

[3] U.S. Census Bureau, 2010 Current Population Survey, table 5, "Type of College and Year Enrolled for College Students 15 Years Old and Over, by Age, Sex, Race, Attendance Status, Control of School, and Enrollment Status: October 2010," http://www.census.gov/hhes/school/data/cps/2010/tab05_10.xls.

[4] Federal Student Aid, Data Center, Title IV Program Volume Reports by School, 2010–2011, http://federalstudentaid.ed.gov/datacenter/programmatic.html.

[5] U.S. Department of Education, *2009–2010 Federal Pell Grant Program End-of-Year Report* (Washington, DC: Office of Postsecondary Education, 2011), http://www2.ed.gov/finaid/prof/resources/data/pell-2009-10/pell-eoy-09-10.pdf.

[6] U.S. Department of Education, FY 2011 Department of Education Justifications of Appropriation Estimates to the Congress, "Federal Pell Grants: Fiscal Year 2011 Budget Request," http://www2.ed.gov/about/overview/budget/budget11/justifications/p-pell.pdf.

[7] Christina Chang Wei and Laura Horn, *A Profile of Successful Pell Grant Recipients: Time to Bachelor's Degree and Early Graduate School Enrollment*, NCES 2009-156 (Washington, DC: National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education, 2009), http://nces.ed.gov/pubs2009/2009156.pdf.

[8] Alexandria Walton Radford, Lutz Berkner, Sara C. Wheeless, and Bryan Shepherd, *Persistence and Attainment of 2003–04 Beginning Postsecondary Students: After 6 Years*, NCES 2011-151 (Washington, DC: National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education, 2010), http://nces.ed.gov/pubs2011/2011151.pdf.

[9] U.S. Department of Education, *2009–2010 Federal Pell Grant Program End-of-Year Report* (Washington, DC: Office of Postsecondary Education, 2011), http://www2.ed.gov/finaid/prof/resources/data/pell-2009-10/pell-eoy-09-10.pdf.

[10] Ibid.

[11] Ibid., Table 2-A

[12] Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-239, *Income, Poverty, and Health Insurance Coverage in the United States: 2010* (Washington, DC: GPO, 2011), http://www.census.gov/prod/2011pubs/p60-239.pdf.

[13] "Family Income and Educational Attainment 1970 to 2009," *Postsecondary Education Opportunity* no. 221 (November 2010): 2–16, http://www.postsecondary.org/last12/221_1110pg1_16.pdf.

[14] U.S. Department of Education, *2009–2010 Federal Pell Grant Program End-of-Year Report* (Washington, DC: Office of Postsecondary Education, 2011), http://www2.ed.gov/finaid/prof/resources/data/pell-2009-10/pell-eoy-09-10.pdf.

[115] Ibid.

[16] Libby A. Nelson, "No Diploma, No GED, No Aid," *Inside Higher Ed*, March 20, 2012, http://www.insidehighered.com/news/2012/03/20/colleges-worry-about-end-federal-aid-based-ability-benefit.

[17] Christina Chang Wei and Laura Horn, *Persistence and Attainment of Beginning Pell Grant Recipients*, NCES 2002–169 (Washington DC: National Center for Education Statistics, Office of Educational Research and Improvement, U.S. Department of Education, 2002), http://nces.ed.gov/pubs2002/2002169.pdf.

[18] "Family Income and Educational Attainment 1970 to 2009."

[19] Ibid.

[20] Philippe Belley, Marc Frenette, and Lance Lochner, "Post-Secondary Attendance by Parental Income in the U.S. and Canada: What Role for Financial Aid Policy?" (NBER Working Paper No. 17218, National Bureau of Economic Research, Cambridge, MA, 2011).

[21] Eric Bettinger, "Financial Aid: A Blunt Instrument for Increasing Degree Attainment," paper presented at American Enterprise Institute conference, "Degrees of Difficulty: Can American Higher Education Regain Its Edge?" Washington, DC, February 15, 2011.

[22] Edward P. St. John, "Price Response in Persistence Decisions: An Analysis of the High School and Beyond Senior Cohort," *Research in Higher Education* 31, no. 4 (August 1990): 387–403.

[23] Radford et al., *Persistence and Attainment of Students.*

[24] Ibid.

[25] Ibid.

[26] Wei and Horn, *Persistence and Attainment of Beginning Recipients.*

[27] Radford et al., *Persistence and Attainment of Students.*

[28] Ibid.

[28] Ibid.

[30] U.S. Census Bureau, 2010 Current Population Survey, table 5.

[31] Federal Student Aid, Data Center, Title IV Program Volume Reports by School, 2012, http://federalstudentaid.ed.gov/datacenter/programmatic.html.

[32] U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplements, http://www.census.gov/hhes/www/poverty/publications/pubs-cps.html.

[33] Lesley J. Turner, "The Incidence of Student Financial Aid: Evidence from the Pell Grant Program" (job market paper, Department of Economics, Columbia University, New York, NY, 2012), http://www.columbia.edu/~ljt2110/LTurner_JMP.pdf.

[34] Stephanie Riegg Cellini and Claudia Goldin, "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges" (NBER Working Paper No. 17827, National Bureau of Economic Research, Cambridge, MA, 2012).

[35] Ibid., from the abstract.

[36] Andrew Gillen, *Introducing Bennett Hypothesis 2.0* (Washington, DC: Center for College Affordability and Productivity, 2012), http://centerforcollegeaffordability.org/uploads/Introducing_Bennett_Hypothesis_2-1.pdf.

[37] Ibid., 7.

[38] Andrew Gillen, personal email, February 21, 2012.

[39] Gillen, *Bennett Hypothesis 2.0*.

Appendix

Calculating Pell Grant Eligibility

Pell grant eligibility is based on several criteria, primarily financial, and on whether a student is enrolled full-time or part-time.

The **Expected Family Contribution (EFC)** is a measure of a family's financial strength. It is calculated according to a formula established by Congress in the Higher Education Amendments of 1965 (as amended). A family's taxed and untaxed income, assets (including accumulated savings), and benefits (such as unemployment or Social Security) are all considered in the formula. Also considered are family size, parents' age, and the number of family members who will attend college or career school during the year. A formula using this information (which students or their families provide on the FAFSA form), determines the EFC.

The EFC formula has changed over the years. Over the past 13 years, it has become easier for students from low-income families to automatically have an EFC of zero–guaranteeing Pell grant eligibility. From 1998 to 2011, the family maximum income for students to automatically qualify for an EFC of zero rose by 81 percent after accounting for inflation. However, the Consolidated Appropriations Act of 2012 will decrease the maximum family income going forward (from $31,000 in 2012 to $23,000 in 2013) for automatic qualification.

Some exceptions to the standard formula exist. For example: the maximum award amount is given for any Pell Grant-eligible student whose parent or guardian died as a result of military service in Iraq or Afghanistan after Sept. 11, 2001. There are other limitations on how much money students may receive. Students cannot receive Pell Grant funding more than once in any one academic year, nor can students receive Pell Grant funding from more than one school during one academic year.

The **Cost of Attendance (COA)**, also calculated according to a formula established by law, is the estimated full and reasonable cost of completing a full year as a full-time student. The COA is published by each educational institution and typically includes tuition and fees payable to the institution, books and supplies, room and board, personal costs, and transportation. For example, tuition and fees at UNC-Chapel Hill are $7,694 but the total "cost of attendance" for the 2012-13 school year is $22,340.

Including a Cost of Attendance to calculate the grant means that some students may qualify for Pell grants if they attend an expensive school, but not one that is more affordable. That "tends to reduce price consciousness for students and lessens the incentives for colleges to keep tuition low," writes Andrew Gillen in a report for the Center for College Accountability and Productivity. He recommended that the Cost of Attendance be replaced by Median Cost of College (MCoC) in determining eligibility for Pell grants. That would eliminate incentives for students to attend more expensive schools in order to receive more Pell grant funding.

The John William
POPE CENTER
FOR HIGHER EDUCATION POLICY

ABOUT THE POPE CENTER

The John William Pope Center for Higher Education Policy is a nonprofit institute dedicated to improving higher education in North Carolina and the nation. Located in Raleigh, North Carolina, it is named for the late John William Pope, who served on the Board of Trustees of the University of North Carolina at Chapel Hill.

The center aims to increase the diversity of ideas discussed on campus, encourage respect for freedom, improve student learning, and lower the cost of education to both students and taxpayers.

To accomplish these goals, we inform parents, students, trustees, alumni, and administrators about actual learning on campus and how it can be improved. We inform taxpayers and policymakers about the use and impact of government funds, and we seek ways to help students become acquainted with ideas that are dismissed or marginalized on campuses today.

Jane S. Shaw is the president of the Pope Center. She can be reached at shaw@popecenter.org. More information about the Pope Center, as well as most of our studies and articles, can be found on our website at **popecenter.org**. Donations to the center, a 501(c)(3) organization, are tax-deductible.

Pell Grants:
Where Does All the Money Go?

Jenna Ashley Robinson and Duke Cheston

The federal Pell Grant Program, which provides need-based grants to millions of college students, is the federal government's largest education expenditure. Does this program use taxpayer money wisely? Are more low-income students able to graduate from college as a result of these grants?

Until now, few such questions have been asked about this program. But they are addressed in this paper, "Pell Grants: Where Does All the Money Go?" Written by Jenna Ashley Robinson and Duke Cheston, this Pope Center research report analyzes what is known about Pell grants.

Jenna Ashley Robinson is outreach coordinator for the John W. Pope Center for Higher Education Policy. Dr. Robinson graduated from North Carolina State University in 2003 and received her Ph.D. in political science from UNC-Chapel Hill in May 2012.

Duke Cheston is a writer and reporter for the center. He is a 2010 graduate of UNC-Chapel Hill, where he studied biology.

The John W. Pope Center for Higher Education is a nonprofit institute dedicated to excellence in higher education, both nationally and in North Carolina. For more information about the Pope Center, see popecenter.org. For additional copies of this report, contact the center at **info@popecenter.org**.

The John William
POPE CENTER
FOR HIGHER EDUCATION POLICY

Chairwoman FOXX. And I thank the first two witnesses for being so good about being on time.

Mr. Dannenberg, I recognize you for five minutes.

STATEMENT OF MICHAEL DANNENBERG, DIRECTOR OF HIGHER EDUCATION AND EDUCATION FINANCE POLICY, THE EDUCATION TRUST

Mr. DANNENBERG. Thank you. I have three basic messages for the committee. The first is, tread lightly. The second is, pursue a balanced approach to any long-term funding gap in the Pell program. And the third is to attempt to leverage state institutional aid in support of college affordability and college completion in order to make the Pell Grant program more impactful.

I am a maximum Pell grant recipient first-generation college graduate. I am one of many success stories out there. There are millions of folks who have overcome far more significant hardships than I have, and have accomplished far more. Which is why I want—which leads to my first point of treading lightly. The Pell Grant program has been very successful. Forty years ago, the percentage of low-income students who were pursuing a higher education was less than half of the percentage today. We have cut the gap between low-income students and upper-income students in pursuing higher education by 40 percent in those 40 years.

So Pell is making a difference in millions of lives, as has been discussed, at least with respect to access. I think it is important to keep in mind Representative Hinojosa mentioned that 90 percent of Pell recipients have incomes of less than $50,000. For those with incomes between $30,000 and $50,000, after you add up grant aid, scholarship aid, whatever the feds expect to pay out of your pocket students still have unmet need of some $11,000 to pay for 1 year of higher education. Now, they are filling that unmet need with loans, with additional work, eating Ramen noodles.

The point is that these students are living on the edge. So if you cut Pell grant funding for students who are in that $30,000 to $50,000 range you run two major risks. The first is that some students will not pursue higher education. And the second is, as Justin mentioned, a number of students who are eligible and academically prepared to go to 4-year institutions will instead under-match down to 2-year institutions where, all things being equal, they are substantially less likely to complete.

Second message. In dealing with the long-term funding gap, I think a balanced approach is appropriate, one that targets spending reductions in areas that are not linked to needy students directly and pursues revenue enhancements in the program side. I have listed a host of offset options in my testimony. I am just going to throw out one with respect to targeted spending reduction. Right now, if a student leaves higher education before a term is up the school is theoretically responsible for returning the financial aid that that student received: the Pell Grant aid that student received.

But right now, the rules are very loose. Once a student puts in 60 percent of a term, the school gets to keep 100 percent of the money. If a student drops out and doesn't notify the school when they are dropping out, the school gets to assume that the student

was there 50 percent of the time and keep 50 percent of the money. If you tightened up the return of Title IV rules alone over some 10 years our estimate is that upwards of $10 billion could be saved. And like I said, we have a list of offsets included in my testimony. A number of them are on the revenue side in terms of increasing revenue to the Pell Grant program.

This brings me to the third message: leveraging state and institutional aid in support of improved college completion and college affordability. State aid, declining state aid, is the number one driver of increased college tuition. As Justin mentioned, high school academic preparation is the number one driver of college completion. The feds are small players in this game, overall; major, but still small. The big players are still, financially, states and institutions of higher education.

If we could incentivize states to, if not maintain their funding, at least embrace policies that ensure that low-income students can pursue higher education with a debt-free guarantee or low tuition—as Justin mentioned with respect to Indiana, which is a model program—you could dramatically improve college completion and reduce college costs.

I want to be clear that this is not some sort of pie-in-the-sky idea. I worked for Congress for a long time. Congress has a long history of consolidating programs, targeting programs, delivering that aid in lump sums. We would suggest doing that with respect to a number of higher education programs—loans, grants, tax benefits—outside the Pell Grant, outside unsubsidized loans. Delivering that money to states, then let states do what they think is best in order to achieve the type of outcome that they have in Indiana.

Imagine being able to say to an eighth grade student, “If you are responsible, if you work hard in high school, we will guarantee that you can go to a 4-year public college of your choice within your state, at the very least, without incurring any new debt. Or have it with an interest-free loan or with a cap on your debt.” That type of promise is possible. Students who have the talent, desire and drive to pursue a secondary education should be able to do so without being hindered by inability to pay.

That was Senator Pell’s vision 40 years ago. I still think it is right today.

[The statement of Mr. Dannenberg follows:]

United States House of Representatives
Committee on Education and the Workforce
Subcommittee on Higher Education and Workforce Training

December 3, 2013

Prepared Testimony of
Michael Dannenberg, Director of Higher Education and Education Finance Policy, The Education Trust

Chairwoman Foxx, Ranking Member Hinojosa, and Members of the Subcommittee, thank you for the opportunity to testify this morning on the importance of keeping the Pell Grant program strong for current and future generations of students.

My name is Michael Dannenberg, and I am the Director of Higher Education and Education Finance Policy at The Education Trust. The Education Trust is a nonprofit advocacy organization that promotes high academic achievement for all students at all levels — pre-kindergarten through college. Our goal is to close gaps in opportunity and achievement that consign far too many young people — especially low-income students and students of color — to lives on the margins of the American mainstream.

Now more than ever, economic demands are making a postsecondary degree the surest way into the middle class.[1] Those with only a high school diploma earn less than three-fifths as much as those with a bachelor's degree.[2] Even in the current wobbly economy, the unemployment rate among Americans with at least a bachelor's degree continues to be low at just under four percent, about half that of Americans with only a high school diploma.[3] Further, the demand for college-educated workers is growing: a recent Georgetown University study projects the U.S. economy will be short about three million college-educated workers beginning in 2018.[4] To thrive, our nation needs more young people to earn postsecondary certificates and degrees. Given our fast changing demographics, we will not be competitive with other nations unless our large and growing population of low-income students and students of color enrolls in and completes postsecondary certificate and degree-granting programs at much higher levels.

Skyrocketing College Costs

Unfortunately, for many students, the dream of a college education as a path to the middle class often collides with the hard reality of college costs. Published college tuition and fees have increased by 538 percent since the early 1980s. That's almost twice as fast as health care costs and nearly four and a half

[1] Georgetown Center on Education and the Workforce report, *Help Wanted: Projections of Jobs and Education Requirements through 2018, June 2010, available at* *http://cew.georgetown.edu/jobs2018/*.
[2] Calculations by TICAS on data from the U.S. Census Bureau, Current Population Survey, 2013 Annual Social and Economic Supplement, Table PINC-04; and unpublished data from the Bureau of Labor Statistics, Current Population Survey, 2012 annual average for unemployment rates. Young adults defined as persons aged 25.34.
[3] Bureau of Labor Statistics, Economic News Release for Oct. 2013, Table A-4, available at http://www.bls.gov/news.release/empsit.t04.htm.
[4] *Id.*

times as fast as inflation.[5] On average, America's four-year, non-profit private colleges now list a published price of more than $30,000 a year.[6] Add to those skyrocketing costs the effects of shortsighted policies that shift financial aid away from those who need it most toward those who need it least and you have something of an economic tsunami for hard-working students growing up in families with incomes in the bottom forty percent. For these students, attending the college that's best for them or attending college at all too often seems out of reach.[7]

Pell Grants Make College More Affordable

Make no mistake. The Pell Grant program makes college possible. It changes lives, millions of them. Over nine million students, including 60 percent of African American undergraduates and 51 percent of Latino undergraduates, depend on Pell Grants.[8] Over 90 percent of Pell recipients come from families with incomes of less than $50,000, and a quarter come from families with an adjusted gross income of just $6,000.[9] Grant aid to Pell recipients – and I was one of them, awarded a maximum Pell Grant – has made a tremendous difference to students and this country.

The percentage of low-income students going to college today is twice what it was 40 years ago when the Pell Grant program began.[10] We've cut the gap between low-income and upper-income students' college access rates by 40 percent.[11] More low-income students are not just going to college. Many are going to colleges that are a better fit for them and in which they're more likely to succeed, because of the Pell Grant program.

To be sure, the Pell Grant program needs to be made more fiscally secure. While its finances are relatively stable at the moment, recent funding trends have put its future stability in question.

Moreover, the program is now inadequate to meet its original intent. The Pell Grant once financed nearly three-quarters of the cost of a public four-year college education.[12] As recently as the early 1980s, it covered more than half of the cost. Today, despite recent increases, the maximum award is only $5,645, while the average cost of tuition, room and board at a four-year public college is $18,391. That means the Pell Grant today covers just 31 percent of a student's cost -- the smallest share of

---

[5] Darcie Harvey analysis of Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, 1982-2011 and American Community Survey, 1982-2009.

[6] College Board, Trends in College Pricing 2013, Table 1A

[7] Demos and Young Invincibles, *State of Young America: Economic Barriers to the American Dream*, Nov. 2011, available at http://www.demos.org/sites/default/files/publications/SOYA_Stories_0.pdf.

[8] Congressional Budget Office (CBO). May 2013 baseline; Calculations by The Education Trust on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12. Race/ethnicity categories exclude foreign students.

[9] *See* U.S. Department of Education, *2010-2011 Federal Pell Program End of Year Report*, Table 3 (June 29, 2012).

[10] National Center for Education Statistics, *Condition of Education* (2010) and *Condition of Education* (2012). Data for low-income students represent two-year moving averages because of small sample sizes.

[11] Id.

[12] College costs are defined here as average total tuition, fees, room, and board costs at public four-year colleges. Calculations by TICAS on data from the College Board, 2012, "Trends in College Pricing 2013," Table 2, http://bit.ly/14OJvbv, and U.S. Department of Education data on the maximum Pell Grant. The maximum Pell Grant for 2013-14 was officially announced in the U.S. Department of Education's "2013-14 Federal Pell Grant Payment and Disbursement Schedules," http://www.ifap.ed.gov/dpcletters/GEN1306.html.

college costs since the inception of the program. Low-income students are now *more than twice as likely* as other students to have student loans (61 percent vs. 29 percent), and they still have substantial unmet financial need.[13]

So we have a conundrum. To meet businesses' demand for more skilled and college educated workers, we need more low-income students and students of color to complete college. These students comprise an increasingly large percentage of our elementary and secondary education population (40 and 45 percent, respectively) and thus of our future workforce. They rely on Pell Grants to access higher education. But the Pell Grant program no longer buys as much as it once did, leaving all too many students at risk either of not starting college, not finishing college, or worst of all, ending up with large amounts of student loan debt and no degree.

Funding Gaps

Just to maintain the current maximum grant, the Pell Grant program is projected to confront a funding gap of more than $40 billion over the next 10 years *at current discretionary spending levels*.[14] To address the projected funding gap, let me first be clear about what we should not do: we should not repeat our recent history of reducing direct aid to needy students in order to finance shortfalls in the Pell Grant program. Some $56 billion in past funding gaps have been "filled" overwhelmingly by student benefit cuts, including the very unfortunate elimination of summer Pell Grants.[15] Instead, we should address the projected long-term Pell Grant program funding gap through "a balanced approach" of increased revenue options and targeted spending reductions in aid to *institutions*, not to needy students.

What kind of targeted spending reductions can we make?

1. **Revise the "Return to Tile IV" Rules.** When a student withdraws from college prior to completion of a term, the former student and her institution generally must return a portion of disbursed federal financial aid (Title IV aid, which includes Pell Grants). Returning Pell Grant aid, however, is in most cases entirely the institution's responsibility. Only in cases where the former student's Pell Grant exceeds tuition and fees does he or she hold any responsibility for returning a portion of aid. Current policy allows former students and institutions that served them to retain a percentage of aid disproportionate to former students' periods of enrollment. Instead, federal policy should:

[13] Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12.
[14] Assuming that the discretionary appropriation for Pell Grants keeps pace with Budget Control Act caps starting in Fiscal Year 2014, the Pell Grant funding gap is estimated at $19 billion over 10 years (FY14-FY23). The Pell Grant funding gap in Fiscal Year 2016 is estimated at $3.8 billion. Calculations by the Center for Budget and Policy Priorities on data from the Congressional Budget Office, May 2013 baseline projections for the Pell Grant program, http://1.usa.gov/15O4Ot9.
[15] Calculations by the Center on Budget and Policy Priorities on data from the Congressional Budget Office as per March 2011 baseline and estimates of changes made in 2011.

a. Require federal funds be returned in proportion to time not enrolled rather than allow institutions to retain 100 percent funding for enrollment once a student completes just 60 percent of a term;
b. Establish two weeks of attendance – the typical drop/add period – as the default withdrawal date for students who do so without formal notification or institution documentation of attendance, rather than assume 50 percent of term attendance as current policy does;
c. No longer allow former students – typically at community colleges – who use Pell Grant aid to cover costs beyond tuition and fees to keep half of aid awarded, regardless of when they withdrew; and
d. Provide for return of funds to the federal programs from which they were derived rather than have all returned aid funds dedicated to loan programs prior to grants.

Altering Return to Title IV guidelines would save more than $10 billion over 10 years without placing undue burden on needy students.

What can be done on the revenue side?

1. **Establish a Rainy Day Fund:** Just as families take advantage of good times to save money for future financial hardships, the federal government should husband funds for future Pell Grant program shortfalls. Possible sources include:

    a. When the Congressional Budget Office (CBO) Mid-Session Review produces "good news" with an unexpectedly low deficit due to stronger than anticipated economic growth or lower than expected spending, a portion of that surplus – 20 percent, for example – should be dedicated to a Pell Grant Rainy Day Fund. The remainder of the unexpected windfall can be used to reduce the deficit. While it may seem easy to divvy up rainy day funds among a number of federal programs, they should remain targeted solely on the Pell Grant, which is unique in its occasional need for supplemental funding.[16] **Over the past 10 years, this "good news" policy would have generated $25 billion in support for the Pell Grant program.**[17]
    b. Every outstanding Federal Family Education Loan (FFEL) that is consolidated into the Direct Loan program generates budget savings. There is a massive amount of outstanding volume – over $400 billion worth - that could be refinanced. Congress should authorize the Secretary to offer financial incentives to borrowers and owners of outstanding FFEL loans to convert that debt into the Direct Loan program as long as the result generates budget savings for the federal government that is used to capitalize a

---

[16] In a similar vein, to the extent that there are surpluses in the Pell Grant program itself – as there were in FY 2013 and are projected to be in FY 2014 and FY 2015 – those surpluses should be held within the Pell program to cover the funding gap that is projected for FY 2016 and beyond when appropriators need to cover a greater share of total Pell Grant costs. Over the last 10 years, the Pell Grant program has experienced an equal number of funding gaps and surpluses, with its surpluses being much larger than its gaps.

[17] Education Trust analysis of Congressional Budget Office's Budget and Economic Outlook Updates, 1992-2012.

Pell Grant Rainy Day Fund. **The New America Foundation estimates at least $17 billon could be saved through FFEL student loan refinancing.**[18]

c. Each year, funds derived from the student aid programs either directly or indirectly are transferred to the U.S. Treasury for general purposes. Instead, those recouped funds associated with legal settlements – and there are a number of large impact cases – or failure to meet current statutory requirements – as is the case with the College Access Challenge Grant (CACG) – should be dedicated to a Pell Grant Rainy Day Fund. **Last year, $75 million in CACG funds alone were returned to the Treasury.**

2. **Adjust the Pell Baseline**: The more than $40 billion projected shortfall is based on frozen program funding levels. The Budget Control Act of 2011 increased overall discretionary spending limits over the next 10 years to account for increased program costs. In the event that discretionary caps grow in the future – and I recognize that's a matter for debate – the Pell Grant program should at least see a proportionate share of the increase in overall discretionary spending. **Doing so in accord with the Budget Control Act of 2011 would cut the projected shortfall by about $23 billion over 10 years.**

Congress, not just this Committee, should consider addressing the Pell funding gap in terms of spending cuts that do not harm needy students and revenue increases. I recommend ranking spending reduction and revenue options from most-to-least palatable and working through the matrix accordingly. Ideally, we would finance closing the funding gap, restoring those summer grants, and placing the Pell Grant program on the mandatory side of the budget in order to avoid future uncertainty.

Regardless, going forward, I would recommend you adopt the guiding principle of putting needy students first. Specifically, **Congress should avoid policies that:**

- **Eliminate or reduce student access to the Pell Grant program.** Eliminating the program would be counterproductive to our economic needs as Pell is still a core financial aid component for low-income students. Reducing access would likely drive students to "undermatch' into institutions from which they are much less likely to graduate or, in a worse outcome, lead them to avoid postsecondary education all together.

- **Penalize low-income students who work or reduce grants to very-low income students whose families receive means-tested benefits**. For example, some policies seek to decrease the Income Protection Allowance (IPA), which is the amount of personal income a low-income student can keep to cover living expenses before being expected to contribute to college costs. Others would count Earned Income Tax Credits against Pell eligibility. These policies penalize work and harm students and families trying to work and educate themselves out of poverty.

[18] Burd & Carey et al., *Rebalancing Incentives in Federal Student Aid*, New America Foundation, January 2013.

Stretching the Pell Dollar

Perhaps surprisingly, there are also significant actions Congress can take at no new fiscal cost to strengthen the Pell Grant program's impact. It requires modifying other education finance policies that create the context for Pell.

As members of the Subcommittee know, there are a host of federal higher education programs – outside of the Pell Grant program and the unsubsidized Stafford student loan program – that are not sufficiently targeted to maximize Pell's impact. If those current federal higher education grant, loan, and tax programs were better targeted, and funds saved were consolidated and integrated into a new state aid program, Congress could provide -- *at no new costs to taxpayers* nationally -- sufficient funding for states and colleges to guarantee hard working, responsible students a college education with no loans or interest-free loans.

Imagine being able to tell an 8th grader who needs aid that she can go to college either debt-free or with an interest-free loan if she works hard in school and out – guaranteed. Indiana has a program like that, the 21st Century Scholars program, and it's been very successful. Specifically, Congress should consider the following recommendations:

- **A State Play is Crucial**. The primary cause of rising tuition and fees at public colleges and universities, which educate more than 70 percent of all undergraduate students, is declining state funding for higher education.[19] Maximizing the federal investment in Pell Grants will require ensuring that states and institutions of higher education become committed partners in holding down costs.

  Flexible state aid conditioned on guaranteeing a low net price for students from low-income families would encourage states to maintain their own funding for higher education, push colleges to keep costs' growth down at least for working class students, through efficiency innovations, rebalance institutional aid toward those with financial need, or some combination thereof. I want to emphasize this need not, should not, be an unfunded mandate. But it would be attractive to most states: already, the Education Trust has identified 10 different offsets – many in this committee's jurisdiction – that could finance flexible state aid to such an extent that nationally it pays 100 percent of the costs that states and institutions would encounter in maintaining a no-loan or interest free loan guarantee for responsible low and middle-income students.[20]

- **Commit to Improved Secondary School Preparation**. A key indicator of whether a student will complete college is the rigor of her high school curriculum.[21] The Pell Grant program was

[19] *See* Harnish, Thomas, *Update on the Federal Maintenance of Effort Provision: Reinforcing the State Role in Public Higher Education Financing* (July 2012).
[20] *See* Dannenberg & Voight, *Doing Away With Debt* (Feb. 2013), pp. 14-17
[21] *See* Adelman, Cliff, *Answers in a Toolbox* (1998); *see also* Adelman, Cliff, *The Toolbox Revisted* (2003)

designed to increase access to postsecondary education, not promote completion. Nonetheless, it is in the nation's interest to have as many enrolled Pell students as possible complete college. To do that, all students, particularly those from low-income families, need to graduate high school academically prepared for college and career. Supplemental aid to states should ensure that all students get a college and career ready course of study in high school. This will reduce the need for remediation at the postsecondary level, boost completion levels, and speed time to degree, thereby reducing the aggregate cost of a college degree for those who do complete.

- **Consider How Low is Too Low**. Institutions can participate in the Pell Grant program and receive students' grant dollars largely regardless of how well they serve needy students. But a college that is enrolling an extraordinarily low percentage of Pell Grant students is not appreciably advancing a key mission of federal aid to higher education. Likewise, a college that is graduating an extraordinarily low percentage of students is arguably a poor federal investment and undermining the Pell Grant program's impact. We should invest supplemental funds, if not Pell itself, in institutions that are achieving some bare minimum outcomes.

Conclusion

These recommendations, while bold, are based on state and institution financial aid models, Congress' past history of targeting and consolidating programs, and non-partisan budget estimates. They require compromise, courage, and vision.

Forty years ago Senator Pell envisioned a society in which "no student with the talent, desire, and drive to pursue postsecondary education will be stopped by the inability to pay." With our $1 trillion national student debt and college graduation rates hovering just above 50 percent, we are far from realizing Senator Pell's dream. But to the extent that we are making progress, we are doing so because of efforts like the Pell Grant program. It deserves to be preserved, strengthened, and its impact maximized. Senator Pell's vision was right 40 years ago, and it remains right today.

# # #

Chairwoman FOXX. Thank you, Mr. Dannenberg.

Mr. Heath, you are recognized for five minutes.

STATEMENT OF RICHARD C. HEATH, DIRECTOR, STUDENT FINANCIAL SERVICES, ANNE ARUNDEL COMMUNITY COLLEGE

Mr. HEATH. Chairwoman Foxx, Ranking Member Hinojosa and members of the committee, I am pleased to be here today to present this testimony. On behalf of my institution, Anne Arundel Community College, on behalf of the 17 professional financial aid staff at my institution, and the nearly 6,000 Pell Grant recipients we are currently serving. We are happy to engage with the committee on how we can improve the Pell Grant program, especially in the areas of increased flexibility for non-traditional students, encouraging completion, to finding and identifying the neediest students, and eliminating fraud and limiting abuse.

With almost 1,200 community colleges nationwide and millions of Pell recipients, these topics are of high importance and extremely relevant to our institutions and students today. Increased flexibility for non-traditional students: many non-traditional students determine their best option is to take less than 12 credits because of family and work responsibilities. The Pell grant should be flexible enough to pay for those credits only. Currently, if a student is eligible for the maximum Pell grant, but is registered for nine credits, he receives the same amount of Pell as the student who registers for 11 credits.

Students in this scenario are using up their Pell lifetime eligibility used, but not earning the most credits allowed. This penalizes the non-traditional student who often is not able to attend full-time. More flexibility in this area would be a win-win. For the non-traditional student, they would be pursuing their educational goals at a pace that fits their other time commitments, and the taxpayer would not be paying for credits that are not yet earned.

Encouraging completion: Maryland has responsibility passed the College and Career Readiness and College Completion Act of 2013, or known as SB–740. A good summary and an FAQ on this initiative can be found at the website for the Maryland Association of Community Colleges. This initiative takes significant steps to better prepare Maryland students for college and encourages completion once they get there. There are similar initiatives in other states, but there are still a large number of states with no such progress.

Colleges have data that indicate that students who need more than two developmental classes have a significant drop in program completion. And it follows that the more developmental classes required, the more the program completion rate drops. Maryland law SB–740 attempts to decrease the need for developmental education on the college level, simplifying the process for defining and identifying the neediest students. We know who the neediest students are, and we can identify them as early as middle school and certainly by grades 10 through 12, as there is a means test in place to identify those who qualify for subsidized meals in the public schools.

The recommendations noted in my written testimony are part of a report from the NASFAA reauthorization task force, of which I

was a member. The seven recommendations that I have highlighted would have a positive impact on college access through all the Title IV programs, and allow students who have, or whose families have, already demonstrated high needs to auto-qualify for maximum federal aid, and would reduce the need for a separate financial aid application or, at the very least, further reduce the number of questions aimed at determining financial ability to pay.

In the interest of time, I direct you to those seven recommendations in my written testimony which, if adopted, would make a significant contribution to defining and identifying the neediest students.

Eliminating fraud and eliminating abuse: I begin with the premise that aid administrators are committed to ensuring that all students legitimately pursuing higher education have access to the funding they have been determined to be eligible to receive. At the same time, aid administrators have the responsibility of preventing those who are not eligible from receiving any amount of financial aid.

Pell, like other federal programs, is subject to fraud. Compared to other programs, fraud in the Pell Grant program is relatively minimal in terms of numbers of cases and dollar amounts. Financial aid administrators responsible for awarding Title IV funds are at the core of attention, somewhere between making the process simple and quick for students while asking enough questions to determine eligibility and prevent fraud. Eliminating the possibility for fraud—that is, students or potential students acting with criminal intentions to access federal funds using either fraudulent information or the stolen identity and information of someone else—is of the highest concern to financial aid administrators across institutional types and mission goals.

Our goal is to eliminate fraud in the programs while, at the same time, assisting the vast majority of students who are pursuing their educational goals legitimately. Identity theft is a global problem and in a category by itself. Along with identity theft, aid administrators are cognizant of the attempts to submit documents that are fraudulent to support a student's claim of having little or no income, academic attainment for high school and/or college, medical documentation to support SAP appeals, exaggerated family size or number of family members in college, residency status, and other document types that determine eligibility for federal funds.

The Department of Education has been highly cooperative and responsive to our concerns and has taken steps over the last few years to help institutions take preventative action, including systemically identifying files that have unusual enrollment patterns, significant use of Pell Grant eligibility, and high amounts of loan debt. Ed then electronically notifies the financial aid office and a follow-up is conducted to determine if they are, in fact, who they say they are, or if they are legitimately pursuing appropriate educational goals, or if they are someone trying to take advantage of the system and misuse federal funds.

In the written portion, I have—

Chairwoman FOXX. Mr. Heath, Mr. Heath, I am going to ask you if you can wind up, please. You are almost two minutes over.

Mr. HEATH. Some of recommendations have been implemented at Anne Arundel, but yet we still see numbers of students that attempt to fraudulently obtain federal aid.

[The statement of Mr. Heath follows:]

ANNE ARUNDEL COMMUNITY COLLEGE

Subcommittee on Higher Education and Workforce Training
Keeping College Within Reach: Strengthening Pell Grants for Future Generations
Written Testimony by Richard C. Heath, Anne Arundel Community College
December 3, 2013

Chairwoman Foxx, Ranking Member Hinojosa, and members of the subcommittee, I am pleased to be here today to present this testimony on behalf of my institution Anne Arundel Community College. On behalf of the the 17 professional Financial Aid staff at my institution and the 6,000 Pell Grant recipients we are currently serving, we are happy to engage with the Committee on how we can improve the Pell Grant Program, especially in the areas of increased flexibility for non-traditional students, encouraging completion, defining and identifying the neediest students and eliminating fraud and limiting abuse. With almost 1,200 community colleges nationwide and millions of Pell recipients, these topics are of high importance and extremely relevant to our institutions and students today.

Community Colleges are being recognized for their critical place in our nation's education system, economy, and society and enroll well over 40 percent of all students in the nation's higher education system, playing an essential role in providing access to higher education and responding to the community's needs for workforce training. Anne Arundel Community College serves over 25,000 credit students and for the 2012-13 award year had almost 6,000 students receiving $15.8 million in Pell Grants.

No federal legislation is more important to Anne Arundel Community College and our students than the Higher Education Act (HEA), including the Pell Grant Program. Anne Arundel Community College would look very different, and the opportunities we provide students would not exist today, were it not for the national investments made through the HEA. The upcoming reauthorization process gives Congress the opportunity to make needed improvements to critical student financial assistance and institutional aid programs. The testimony below is in response to the Committee's request for input in given areas. Some of the responses I offer reflect my participation in the Reauthorization Task Force for the National Association of Financial Aid Administrators (NASFAA).

1. **Increased flexibility for non-traditional students:**

Non-traditional students need understandable and usable information that helps them to make informed decisions about the most suitable college and program for their unique circumstances. In high school this information is readily available through the guidance and career planning offices. After leaving high school it is more difficult to obtain this type of input. The federal government could improve in this area by requiring all students to access and complete the Financial Literacy option on www.ed.gov . This is a resource that already exists but is not required as part of the student aid process. Currently only the Entrance Interview section is required when the student wants to take out a loan. With the additional requirement of the Financial Literacy site, the student would have access to a wide range of information including potential jobs and income to be better informed regarding what program to pursue. In addition, taking the extra step to make it a requirement to review the Financial Literacy option each time students reapply for financial aid would reinforce their understanding of the relationship between their academic progress and funds that are being invested in that pursuit, including Pell Grant and loan funds. This enhanced information would give students another resource to help determine what and how many credits to attempt given their work and family responsibilities in relation to the time commitment and funding necessary.

Many non-traditional students determine their best option is to take less than 12 credits because of family and work responsibilities. Their Pell Grant should be flexible enough to pay for those credits only. Currently if a student is eligible for the maximum Pell Grant but has registered for 9 credits he receives the same amount of Pell as the student who registers for 11 credits. Students in this scenario are using up their Pell Lifetime Eligibility Used (PLEU) but not earning the most credits allowed. This penalizes the non-traditional student who often is not able to attend full time. More

flexibility in this area would be a win-win. For the non-traditional student, they would be pursuing their educational goals at a pace that fits their other time commitments and the taxpayer would not be paying for credits that are not yet earned.

2. **Encouraging Completion:**

Maryland has recently passed the College and Career Readiness and College Completion Act of 2013 (SB 740). A good summary and an FAQ on this initiative can be found at the web site for the Maryland Association of Community College (MACC): thttp://mdacc.org/PDFs/Publications/Special%20Reports/SB740_FAQ_Sheet.pdf

This initiative takes significant steps to better prepare Maryland's students for college and encourages completion once they get there. There are similar initiatives in other states but there are still a large number of states with no such progress. Colleges have data that indicate that students who need more than two developmental classes have a significant drop in program completion, and it follows that the more developmental classes required the more the program completion rate drops. Maryland law SB740 attempts to decrease the need for developmental education on the college level.

A common practice in community colleges nationwide is that students are allowed 30 hours to take needed developmental courses (Math, English and Reading) with no credit attached. This allows students to take other credit classes at the same time and receive Pell. However, when financial aid offices do an academic progress assessment, we often see students who are not meeting Satisfactory Academic Progress (SAP) requirements due to problems in their developmental classes. This sets them up for long-term completion failures. An alternative being discussed, and implemented at a few colleges, is to require that students take necessary developmental classes within the first year of attendance, giving them a good foundation for future success. This would also enable colleges to monitor students' progress in their developmental courses and might be an early warning that academic intervention is needed to help the student make better program and class choices.

3. **Simplifying the Process of Defining and Identifying the Neediest Students**

We know who the neediest students are and can identify them as early as middle school and certainly by grades 10-12 as there is a means test in place to identify those who qualify for subsidized meals in the public schools.

The following recommendations are part of a report from the NASFAA Reauthorization Taskforce of which I was a member. The *seven recommendations that I have listed below would have a positive impact on college access through all Title IV programs and allow students who have, or whose families have, already demonstrated high needs, to auto qualify for maximum federal aid and would reduce the need for a separate financial aid application, or at the very least further reduce the number of questions aimed at determining financial ability to pay.

Recommendation 1: FAFSA Simplification and the Auto Zero could be improved by adding the receipt of SSI, TANF or General Relief benefits as the sole qualifiers for an Auto Zero EFC determination. Students and parents that they receive or received these benefits would not have to complete any questions on the FAFSA regarding income or asset information. Verification of the benefits would be conducted through the verification at the school or a data base match (SSI)

Recommendation 2: Auto Zero Qualification stemming from the dislocated worker qualification criterion should be eliminated. The use of this criterion has had unintended effects in the distortion and significant reduction of EFC for families where the income of the dislocated worker is not representative of the families income. The appropriate path for consideration of reduced income should be the discretion of the financial aid administrator already authorized in the HEA section 479.

Recommendation 3: Eliminate the simplified needs test as this concept as the determination for eligibility is confusing to the applicants and difficult to explain, especially with regard to tax forms that could have been filed. In some cases the exclusion of substantial assets causes unnecessary expenditures which could be targeted at needier applicants. The

exclusion of home equity and retirement/pension plans from the definition of the asset protection allowance already provides relief within the formula. Retention of a properly designed and updated auto zero EFC option should be sufficient to identify populations for whim assumptions of maximum need are appropriate. An increase in the data available from the IRS data retrieval tool may allow for an improved flow of questions during the application process to determine whether a collection of asset information is necessary based on the analyses of appropriate income items from tax filings.

Recommendation 4: Eliminate homelessness from automatic independent criteria and move to override authority as an example appropriate income items from the tax filings. The complexity of the definitions and determinations of homelessness has resulted in misunderstanding and inaccuracies observed by aid administrators in the answers to the FAFSA dependency question.

Recommendation 5: Eliminate the Foreign Income Exclusion by requiring the amount to be reported as untaxed income on the FAFSA. An Expansion of the IRS data retrieval tool could include this data element. The federal tax code allows qualified individuals to exclude certain forms of income earned in another country. The need analysis formula does not utilize "excluded" foreign income. However, the primary purpose of need analysis is to determine a family's financial strength and ability to contribute to educational expenses. In many instances, income earned in another country may be the individual's major or only source of income. Excluding it presents an inaccurate picture of the family's financial strength relative to other FAFSA applicants.

Recommendation 6: Add back any business, capital, and other losses that do not represent a real loss of income when determining the parents' and student's income for Federal Methodology (FM) needs analysis purposes. The FM need analysis formula determines a family's financial strength and ability to contribute to educational expenses and facilitates comparison of one family's need to another's. "Paper" losses allowed as part of the IRS tax code artificially reduce income and, as a result, artificially reduce EFC. ED would need to determine, in consultation with IRS and representative schools that have experience in this practice, which losses should be included in income and how to capture that information through the IRS data retrieval tool.

Recommendation 7: Eliminate the small business exclusion (count business assets regardless of the number of employees). Also eliminate the exclusion of farm value from assets. The threshold for defining a "small" business is 100 employees, which seems excessive. FM already adjusts business equity downward on a sliding scale to protect the income-producing capacity of the asset. It may make more sense to reassess the adequacy of the protection allowance than exclude businesses altogether. The nature of family farms has changed and is more akin to a business. If assets from "small" businesses are reinstated in the need analysis, so should farm assets. Farm assets (other than investment farms) are adjusted in the same way as business value, using the same sliding scale (one table is used for both in the EFC formula). As for businesses, the adequacy of the farm asset adjustment might need to be reviewed. The value of a family home situated on a farm could and should be excluded.

4. **Eliminate Fraud and Limit Abuse:**

I begin with the premise that aid administrators are committed to ensuring that all students legitimately pursuing higher education have access to the funding they have been determined to be eligible to receive. At the same time aid administrators have the responsibility of preventing those who are not eligible, from receiving any amount of financial aid. Pell, like any other federal program is subject to fraud. Compared to other programs, fraud in the Pell grant program is relatively minimal in terms of numbers of cases and dollar amounts.

Financial aid administrators responsible for awarding Title IV funds are at the core of a tension somewhere between making the process simple and quick for students while asking enough questions to determine eligibility and prevent fraud. Eliminating the possibility for fraud—students or potential students acting with criminal intentions to access federal funds using either fraudulent information or the stolen identity and information of someone else—is of the highest concern to financial aid administrators across institutional types and mission goals.

There is a direct correlation between the rise of online courses, degrees, processes and the potential for fraud over the last ten years in both the FAFSA completion process and registration for online classes. The community college sector has been hit particularly hard by fraud in recent years. While the federal government focuses solely on the groups where a significant number of students and funds have been affected, institutions pursue all fraudulent activity. Our goal is to eliminate fraud in the programs while at the same time assisting the vast majority of students who are pursuing their educational goals legitimately.

Identity Theft is a global problem and in a category by itself. Along with identify theft, aid administrators are cognizant of the attempts to submit documents that are fraudulent to support a student's claim of having little or no income, academic attainment for high school and/or college, medical documentation to support SAP appeals, exaggerated family size or number of family members in college, residency status, and other document types that determine eligibility for federal funds. The Department of Education has been highly cooperative and responsive to our concerns and has taken steps over the last few years to help institutions take preventative action, including systematically identify files that have an unusual enrollment pattern, significant use of Pell Grant eligibility and high amounts of loan debt. ED then electronically notifies the financial aid office and a follow up is conducted to determine if in fact they are who they say they are and if they are legitimately pursuing appropriate educational goals or if they are someone trying to take advantage of the system and misuse federal funds.

Some of the ways institutions have developed policy and procedures to prevent fraud and limit abuse:

- Holding aid until after the census date.
- Providing multiple disbursements of Pell Grants.
- Monitoring out of state addresses.
- Working with faculty to develop on-line security and provide accurate attendance records.
- Placing student ID photos on-line.
- Changing admission policy to require all out-of-state students to provide proof of high school completion by providing official high school transcript or GED transcripts.
- Checking all students who apply for financial aid against Department of Education's COD database for Title IV payments made previously.
- Comparing COD records against admission applications. Failure to disclose previous colleges attended leads to financial aid being withheld until official transcripts are received from all previous institutions.
- Initiating an "affirmative attendance" process, requiring faculty to record daily attendance. Disbursement processes consider credits enrolled and the class attendance record and funds will not be disbursed if students do not meet the eligibility rule which is that students must have started attending classes for which they register Students abuse the system by registering for a class, receiving aid for the class and then they do not attend the class.
- Implementing an "Excessive Loan Debt" review. Upon import of the ISIR, earned credits/program completions are compared with NSLDS aggregate loan information and a decision is made whether to certify a loan for that individual student based on their records. When there is "conflicting information" such as outstanding loan debt but no prior college attendance a review process is initiated by a Loan Default Prevention Specialist, an assistant financial aid director for federal programs and the director. A decision could be made to reduce loan amount, replace loan request with other grant aid when available, or as a last resort "refuse to certify." In

some cases students have been identified who are "school hopping" and who seek to take the money and move on to the next opportunity and their aid has been denied.

- Running reports to identify common addresses and common bank deposit account numbers. If doing direct deposits, monitor the number of deposit transactions to each bank account. Unusually high numbers will indicate potential fraud.

- Identifying and flagging students with unearned 'F' grades and unofficial withdrawals (i.e. students who stopped attending after receiving their financial aid refund payments).

- Creating a population selection program that identifies out-of-state students using information downloaded from DOE, which is tied to out of state address, driver's license and legal residency on the FAFSA. The tracking group requires an NSLDS check and verification with documentation and holds are placed on these students until the file is complete and a determination is made that they are not abusing the system.

- Implementing a student success pass process. Student schedules a meeting with their advisor during the 1st three weeks of school and receives a Student Success Pass signed by the advisor. Students use their Student Success Pass to pick up Pell/Scholarship refund checks.

Many strategies have been implemented at Anne Arundel Community College over the last 5 years, yet we continue to see attempts by students to either commit fraud or abuse the system. As I was preparing this testimony on Monday a student whose file was deemed eligible for full Pell, student loans and the VA's VRAP funding came to the financial aid office seeking permission to pick up his refund check. AACC has a "no check pick up" policy with a provision for "extreme circumstances" allowing for exceptions with documentation. Our assistant financial aid director reviewed the request and noted multiple discrepancies including address of record, spelling and language used in the supporting court document, etc. and a quick check was made of the Maryland criminal database revealing the student had an outstanding warrant for Probation Violation for fraud in another county. Further review revealed that he had not attended his online class for three weeks and after a brief conversation with the student, he confessed to submitting fraudulent court documents, forged signatures etc. to gain his check. Initially this appeared to be a legitimate student who then attempted to game the system and was caught prior to receiving any funds. He is now facing student conduct charges as well as criminal charges for submission of forged documents. I offer this recent example to highlight the awareness of financial aid administrators of the potential for fraud and abuse on a daily basis and the progress in closing loopholes and preventing both fraud and abuse on a national basis as well as in our individual institutions. That said, it is important to remember that most students are legitimately pursing an education and benefitting greatly from the Pell Grant program.

***source: Preliminary Report of the NASFAA Reauthorization Task Force, July 2013**

Chairwoman FOXX. Thank you very much.

I want to now recognize the chairman of the higher Education and Workforce Committee, Mr. Kline, for five minutes.

Mr. KLINE. Thank you, Madam Chair. Thank you to the witnesses for being here, your quite excellent testimony.

Dr. Robinson, I am trying to understand how your idea of—looking at your testimony—we would require students to have taken the ACT or the SAT and to meet threshold scores based on GPA. So I listened carefully to your testimony. You talked about how you have a greater success rate if they have had a rigorous high school education and so forth. But I don't understand how this would work for the millions of what we are still calling "non-traditional students," people going back to the community college or for-profit school or something like that to get a particular skill.

They haven't thought about rigorous high school or SAT, ACT for maybe years. And by the way, I agree with the chairwoman that we ought to find another term beside non-traditional student, since the majority of college students now are in higher education are non-traditional. So how would that work?

Ms. ROBINSON. I think it would be best to only apply those standards to students coming directly out of high school, and there should be alternative standards for the new traditional student, the part-time student. Additionally, I think there should be ways for students who have perhaps not achieved, in high school, what they find later in life themselves to be capable of, to find an alternative way to achieve standards. For example, after one semester of satisfactory academic progress in a community college, they become re-eligible, even if they weren't under rigorous high school standards.

Mr. KLINE. So if they had the low SAT, ACT they would have to go that first semester not qualifying for a Pell grant. But if they demonstrated, then, academic capability they would be? I am—

Ms. ROBINSON. Exactly.

Mr. KLINE. Okay.

Ms. ROBINSON. Giving students a second chance.

Mr. KLINE. Okay. That was my other question. Excellent.

Mr. Draeger, I am interested in—"intrigued by" might be a better word—the Pell Well idea. Could that be too costly for the government to administer this thing?

Mr. DRAEGER. The cost is a good question. The way the Pell Well would really work is, you are telling a student upfront how much in dollars as opposed to percentages, which is what we do now, they would qualify for. And percentages based on full-time enrollment don't translate well for most students; dollars make sense. In the long run, in over a five or 10-year projection, I am not sure that it would cost any more. Because you are telling them a lifetime eligibility limit based on what Congress recently did, which was shrink it from 18 semesters to 12.

So while an outlay may be more in year one, over a five-year or 10-year period I am not sure cost would go up. Because we are just using a dollar amount as opposed to a percentage, which is what we use now.

Mr. KLINE. Okay. Again, thank all the witnesses. Really helpful as we are trying to move forward to a reauthorization of the Higher Education Act. I think this is our 11th or 12th-something hearing

to try to grapple with a lot of these issues. A lot of it has been focused on financial aid in the large, and specifically Pell grants and loans, and how do we do loans and all of those things, because it is central to the issue of getting people access to an affordable education. And it is doggone confusing.

So, again, thank you very much for your input here today. And, Madam Chair, I will yield back.

Chairwoman FOXX. Thank you, Mr. Chairman, for also being a great role model. And one person at maybe not our last hearing, but recently, has suggested that we use the term "contemporary student." So that is one of the suggestions that has been put out there. But we are looking for an alternative to using non-traditional, since the non-traditional are now 75 percent of students.

I now recognize Mr. Hinojosa for five minutes.

Mr. HINOJOSA. Thank you. Mr. Dannenberg, as you stated in your testimony, the maximum Pell now covers less than a third of the average tuition at a public 4-year institution due to the rising college costs. In light of the diminishing purchasing power of the Pell grant, now the lowest since its inception, could you discuss the reliance of Pell recipients on federal student loans?

Mr. DANNENBERG. I am sorry? Can you repeat that? Would I discuss what?

Mr. HINOJOSA. Could you discuss the reliance of Pell grants—

Mr. DANNENBERG. Nine out of 10 Pell Grant students assume student loans. It is twice the rate of non-Pell Grant students. As you know, the average student who completes a 4-year degree does so at some $27,000 in debt.

Right—we used to have a situation where grants were the base of student financial aid packages, and loans were supplemental. Now we have a situation where loans are the base of financial aid packages and grants are supplemental. That diminishes students' ability to take on certain occupations when they leave, and it has a very real impact—particularly on students of certain demographic groups when it comes to loan aversion, debt aversion and the idea of even going to higher education, much less going to a school that is a good fit.

Mr. HINOJOSA. I agree with you. You indicated also that 60 percent of the African-American, and 51 percent of Latino undergraduates rely and depend on the Pell grants. Thus, could you elaborate on the importance of Pell to minority students?

Mr. DANNENBERG. Yes, that is absolutely correct. There have been a number of studies—Tony Carnevale at Georgetown University is probably the leading academic on this—that indicate the United States is going to be in desperate need of more students, more workers with postsecondary certificates and degrees, where those students have to come from are low-income and minority populations, in particular Latino and African-American.

Reducing the Pell grant will have an effect on college access for low-income students, a disproportionate impact on African-Americans and on Latinos. We should be increasing our investment, not decreasing it.

Mr. HINOJOSA. I want you to elaborate on the recommendations that you listed on addressing the Pell funding gaps.

Mr. DANNENBERG. Sure. As I mentioned, I think we should pursue targeted spending reductions that are directed at institutions as opposed to needy students. This committee, Congress, has dealt with repeated Pell Grant shortfalls and funding gaps in recent years. Almost all of those funding gaps and shortfalls have been filled with student benefit cuts. We need to stop doing that. Instead, focus on spending reductions that are targeted at institutions or revenue enhancements.

I have listed a number of possible revenue enhancements. One of my favorite ones has to do with the outstanding federal family education loan volume. There are about $400 million in outstanding federal family education loans, FEL loans. Every time one of those loans is paid off early or converted to the direct loan program the government saves money. We should be incentivizing.

We should be authorizing the secretary of education to buy down that debt—from borrowers, from lenders, wherever—get rid of that debt. Save funds, drive those funds into the Pell Grant program. The New America Foundation estimates $17 billion over 10 years can be saved that way.

Mr. HINOJOSA. I thank you.

Dr. Robinson, in your remarks you spoke about revising the return to the Title IV rules. When a student withdraws from college prior to completion of a term, the former student and her institution generally must return a portion of the disbursed federal financial aid; Title IV aid, which includes Pell Grant grants. I wonder if you have compared that recommendation with the what we call "for-profit colleges and universities," which often times recruit those who were not college-ready and somehow get them started. They get the Pell grant and they quit very quickly.

In fact, the numbers that I have seen indicate that 25 percent of the money available for Pell grants is used up by only 10 percent of the students going to college through the for-profit colleges. What if they had to return 90 percent of the money that they receive from a Pell grant of, let's say, $6,000 because the student dropped out early. Can you discuss that with me?

Ms. ROBINSON. I haven't looked at that specifically, but I think making sure that students are accountable regardless of the type of institution that they attend is very important. I think that there are many programs that provide a model for how to do that. I mentioned one in North Carolina, Central Piedmont. And I think that there should be incentives for institutions to make sure that the students who begin actually complete.

Mr. HINOJOSA. Now, let the record show that I question the amount that the for-profit colleges are returning to us when the students drop out.

Thank you.

Chairwoman FOXX. Thank you, Mr. Hinojosa.

Mr. Walberg, you are recognized for five minutes.

Mr. WALBERG. I thank the chairman, and I thank the committee for being here.

Mr. Draeger, interested to see that you spent some time in East Lansing. It is an exciting place to be, especially with this Saturday coming up. I say that knowing that the University of Michigan is in the room, as well. Proud of both.

Great game this weekend with Ohio State.

I appreciate your perspective. And especially dealing with financial advisors and managers of institutions. If the criteria for Pell eligibility were made more rigorous, how do you think institutions would respond to this change? And how do you think this might affect persistence specifically of the students?

Mr. DRAEGER. There is a tension between the eligibility requirements for financial aid and simplicity; making it simple enough that students, needy students, will apply for financial aid. In the past, that tension has been greater than it is today because we rely so much on technology. Almost 100 percent—not quite, but almost 100 percent—of people who apply for financial aid today do it through an online application that allows them to skip by questions that don't apply for them.

So if you are truly needy, qualify for federal means-tested benefits or other ways that we are identifying that you are truly needy, you can import information from the IRS, or you are given a pass through the majority of the FAFSA questions. So that tension that existed in the past doesn't truly exist today.

So if we moved the period of time that students have to apply back a little bit, we could ask more complicated questions and use skip logic that would still allow needy students to pass through the FAFSA very quickly but still get to some rigorous questions for those students who are sort of on the cusp to find out if they are truly needy or have some financial strength that is not currently reflected in the federal needs analysis formula.

I think schools would welcome that move.

Mr. WALBERG. Would you say that that would also add to the expectation of success, ultimately, and the outcome for a student completing as opposed to just accessing the education?

Mr. DRAEGER. I am not sure that there is research that shows the link between federal student aid eligibility, at least in terms of financial strength of a family and completion. What would mean more to success is moving back that application period so that students would have a clearer idea and confidence of their financial aid package to know how much money they would have to attend college. That would have a meaningful difference in persistence and completion.

Mr. WALBERG. Mr. Heath, earlier this year I had the opportunity to hear testimony from the inspector general of the Department of Education that pointed out that of the $32 billion that will be spent on Pell this year, nearly $1 billion of that will be going to individuals that should not receive it. What you have instituted at Anne Arundel Community College to discourage and prevent the potential for waste, fraud and abuse sounds interesting, from your testimony.

Could you expand upon that? And are there other tools that may be helpful to consider in reauthorizing the Higher Education Act?

Mr. HEATH. Yes. One of the primary things that we did 2 years ago was implement an affirmative daily attendance process. And we tied that process with our disbursements. So if a student is registered full-time, 12 credits right now, before that money will disburse—before the Pell money disburses to their student account—

our process goes over to check to see if that student has, in fact, started attending the class that the aid is going to be paying for.

If they haven't had attendance recorded, that aid does not move. So we have closed the loophole between students registering for class, they were eligible for the money—

Mr. WALBERG. The student is fully aware of that, as well.

Mr. HEATH. The students are fully aware of that. We publicize that. And every semester, as you might imagine, we do have a faculty once in a while that doesn't record attendance and the student comes in wanting to know where their money is. So it is a way to close that gap.

The other thing that we have done is, for all of our students that are only online, we have a process that we run prior to disbursing funds that gives us a list of all those students.

We compare addresses. So if we were to see multiple students coming from the same address, we would not disburse money. We would do a further check. We haven't found that yet. We have found a husband and wife, or a father, son or something like that. But we haven't found multiple students coming from the same address. But we do have that process in place now.

Mr. WALBERG. I thank the chairwoman. My time has expired.

Chairwoman FOXX. Thank you very much.

Mr. Loebsack, you are recognized for five minutes.

Mr. LOEBSACK. Thank you, Madam Chair. Thanks for having this important hearing today. And I do want to thank all of you for being here today and offering some possible solutions to sort of tightening up the program, making sure that we don't have waste, fraud and abuse.

I do want to emphasize Mr. Dannenberg's first point, which I think was tread lightly. This is something—I just think we have to be very, very careful that we continue to have a program that provides access to these low-income students when we—sure, we all want to wring out waste, fraud and abuse. We all want to make sure that these folks are held accounting, that they are not taking advantage of the system.

We have all heard stories about that in the past. Myself, many members here have heard me talk about how I grew up in poverty myself. I had a single mother, parent, who had an 11th grade education. Like you, Mr. Dannenberg, first-generation college student. I wouldn't have been able to get to college had it not been for my friends, actually, who came from different family situations and took all this very seriously. So I sort of determined what I was going to do based, in no small measure, on my relationships with my friends.

But I was able to take advantage of programs like this to go to Iowa State University. The last thing I want to see is these programs be eviscerated in one way or another. So I think it is important that we do tread lightly, that we keep in mind what the ultimate goal here is. And that is to make sure that students who don't always have the most advantageous backgrounds have access to college—a college education. Not only for their own sake, but for the sake of our country, for the sake of the competitiveness of the United States of America.

I think we have to keep that big picture in mind, as well. And also, we have talked a little bit about the skills gap. Community colleges, we all know, are extremely important in this country. In the state of Iowa, the governor and others have quite rightly pointed out and identified the skills gap, and how community colleges are going to be very important in educating folks so that they can get into those mid-level skilled jobs. And community colleges are absolutely critical on that front, as far as I am concerned.

I taught at a small college, Cornell College, for 24 years. Important college in terms of educating folks. But community colleges really are the key. I call them the intersection, if you will, between education and workforce development. The principal—not the only, but the principal—intersection. So we have to be careful also that we not so restrict the environment out there for these students who want to go to these community colleges.

I understand we have to tighten it up, but we have to be very careful, too, that we tread lightly. And I just have one question for you, Mr. Dannenberg. You mention on page three of your testimony that—your written testimony that you lament the fact that the year-round Pell Grant program—something that I championed, as a matter of fact, a number of years ago, that that has gone by the wayside, in no small measure to try to restrain the cost of the Pell Grant program.

Can you talk to us a little bit about the effects of that? Because you mentioned it kind of in passing, more than anything else, on page three.

Mr. DANNENBERG. Sure. I think, first of all, the institutions that are affected more than any other institution by ending what has been called "Second Pell" or "Summer Pell" are community colleges and historically black colleges and universities in particular. And the situation is that a number of students are coming in under-prepared academically. Forty-odd percent are having to take at least one developmental course.

So before the credit-bearing work they are having to learn at the post secondary level what they were supposed to be exposed to in high school, which is why we should have a college career-ready course of study for all students at the high school level. But because they are behind, they are then behind at the end of their first year. They are not on track to graduate on time.

So what was happening over the summer—and it was expensive because this affects so many students—is that they were catching up. So that when they began their second year they were actually going to be second-year students instead of a second-year student who has only 14 credits and is really, in effect, a first-year student or 12 credits. Second Pell, or Summer Pell, was having an access impact, particularly at community colleges and historically black colleges and universities. And they are hurting as a result of its reduction, not to mention the needy students who are affected.

Mr. LOEBSACK. Thank you. And I want to thank all of you for your testimony, and thanks for indulging me. I normally don't take up this much of the 5 minutes with my own speech, if you will. But I do think it is really, really critical that we keep in mind that we have to have a balanced approach here and that we have to tread lightly and that we cannot cut these programs to the bone, where

it is actually going to deprive students who are willing to take the initiative and the personal responsibility, which I think we all value, to invest themselves in these programs so that they can be better students, so they can be better citizens.

Thank you. Thank you, Madam Chair.

Chairwoman FOXX. Thank you, Mr. Loebsack.

Dr. Heck, you are recognized for five minutes.

Mr. HECK. Thank you, Madam Chair. And thanks, thank all of you for being here today. Like Mr. Dannenberg, I am the first in my family to go to college, and also was a maximum Pell Grant recipient, and understand the importance of Pell Grants in helping students achieve their dreams. And it is why, when we were having the debate on student loan interest rates, I introduced amendments that would redirect some of the savings into funding Pell Grants.

And while it may be semantics—we talk about federal financial aid making college more affordable—I always say it makes it more accessible. It doesn't necessarily make it more affordable because it doesn't really address the reasons that tuition and fees have increased by 538 percent since the early 1980s, almost twice as fast as health care costs and nearly four times—four-and-a-half times as fast as inflation.

And so what I want to know is, what are doing to really try to address the costs of a postsecondary education? Some have theorized that we are in this circular loop of we increase financial aid, which then somehow results in higher tuition and fees because there is more money available, and then we have to increase financial aid to keep up with those higher tuition and fees, which keeps this cycle going. I would ask if you believe in that theory and what your opinions are as to why the cost of a postsecondary education have outstripped inflation so much over the last couple of decades.

Do you want to start, Mr. Draeger?

Mr. DRAEGER. It is very simple to come to the conclusion that as we pour more financial aid—and frustrating, as we pour more financial aid into the system, the cost of college continues to increase. But I think the first thing we have to look at is the difference between the cost of providing the education and the price that students and families pay. So the cost of providing education, if you went back over the—since the 1980s has run fairly parallel with inflation. But if you look at the price that students and families have been paying, it has been running more than double the rate of inflation.

In such a complex environment and system, where there are so many different subsidies at the state level through appropriations, the primary driver that we have seen in tuition, or price increases, isn't because the cost of providing the education has gone up so much. It is that state and local governments have been disinvesting in higher education. So whereas 40 years ago states were covering 65 percent of the cost of higher education through a subsidy, through appropriations, today they are covering more around 30 to 35 percent.

And so the burden of paying for college has gone from the public pooling together at the state and local level to individual families. And the way they are doing it is primarily through loans.

Mr. HECK. Anyone else care to jump in?

Ms. ROBINSON. I would say that that is part of the picture, but certainly not—doesn't explain the entire picture. It doesn't explain why Duke University is $50,000 now. Private universities have been increasing their costs and their tuition to students at the same time as public universities. So I think that there is something going on with federal aid fueling and enabling universities to increase their tuition. The research that has been done shows that Pell grants are not largely a part of that. It is mostly an effect of student loans.

And I think that one possible change that could be made to the formula determining how much aid students get for both loans and Pell Grants could be replacing the cost of attendance with the median cost of college. Because right now, by using the cost of attendance in a formula, a student will get more aid by attending a more expensive university. So that formula is helping to feed the ever-increasing costs.

Mr. HECK. Mr. Dannenberg?

Mr. DANNENBERG. So a few quick points. First, I agree with Dr. Robinson that there is a big difference between grant and loan aid in terms of its impact on tuition inflation. There is no evidence that increases in Pell Grants are driving increases in tuition. Pell Grants have been cut in the past and tuition has still gone up.

The main reason tuition is going up is that we have a relatively finite supply of providers; we have very high demand that is often irrational, under-informed, and, I am afraid, too often irrational; and you have states and institutions that take advantage of that high demand by cutting their own aid and shifting responsibility to students in the form of heightened loans.

Justin is right that a key is to maintain, if not grow, state aid for higher education in order to slow the growth in public college tuition and fees. As I said in my testimony, we argue that there is ample opportunity for this committee, not to mention other committees, to target existing programs outside of Pell, consolidate those funds, give them to states, give them to governors, create another Tommy Thompson out there, or tell Jerry Brown or whoever to do—any governor out there to maintain an outcome when it comes to college affordability. You guys can empower them to do that.

Mr. HECK. Thank you.

Thank you, Madam Chair. I yield back.

Chairwoman FOXX. Thank you.

Mr. Bishop, you are recognized for five minutes.

Mr. BISHOP. Thank you very much, Madam Chair. And thank you for holding this series of hearings. I think they have been very helpful and very informative. And I want to thank our panel of witnesses.

I just want to pick up from the last line of questioning and answers. We have had multiple witnesses come before this committee—Republican witnesses, Democratic witnesses—to testify on the impact, real or imagined, of availability of federal student financial aid relative to increase in costs. And almost without fail, they have all testified that there is no connection between federal

student financial aid programs and the extent to which costs are increasing.

And, Mr. Draeger, what they almost all testify to is that the principal driver of college costs is what you just said, that is to say the retreat from supporting public education on the part of the states and local communities. So I think we have to assess Pell, we have to assess other Title IV programs. But we ought to assess them based on our actual experience. And I think to continuously put into the mix of our assessment what is essentially a canard—which is that federal student aid is driving increase in cost—is not helpful and doesn't help us assess the future of these programs as we must.

And I know this hearing is about the future of Pell. I want to focus on the current status of Pell and current law. Current law is that Pell will be exposed to sequestration with the next academic year. That could result in a cut to Pell of as much as 7 percent. And, Mr. Draeger, from the vantage point of your national organization, and Mr. Heath, from the vantage point of your community college, what impact would a 6, 7 percent reduction in Pell—some $2.5 billion—what impact would that have on the students, Mr. Heath, that you deal with every day?

Mr. HEATH. Yes, that really is a good—it is a good question, Mr. Bishop. What we expect is going to happen, the student that is fully Pell-eligible, with a zero EFC, 7 percent reduction certainly is going to hurt them. It will still pay for all of their classes at Anne Arundel, but it will reduce the amount that they have for books. The more troublesome students are the ones that are getting kind of a little bit of Pell, kind of the mid-Pell range or right on the cusp of Pell. Those students will certainly increase the borrowing that they are going to do in order to make up for the shortfall.

Mr. BISHOP. Okay. Thank you, Mr. Heath.

Mr. Draeger?

Mr. DRAEGER. It exacerbates a regressive policy of pushing low-income students into loans. That is the best case scenario. The worst case is they stop out or drop out entirely. And the other issue with budget funding is it pushes up against deadlines where, once again, students and parents do not have a sure picture of how much they are getting in financial aid when they are trying to make college-going decisions this next winter and spring.

Mr. BISHOP. Just to be clear, I just think it is important that we absolutely ought to focus on the future. But we can't lose sight of the present. The present is that Pell is exposed to up to a 7 percent reduction as a result of sequestration. Over a 2-year period, if we don't fix sequestration, SEOG will go down by $90 million, and College Work-Study will go down by $130 million. I would imagine those would be tough cuts for your students to absorb. Is that correct?

Mr. Heath, I am sorry.

Mr. HEATH. Yes, that is—

Mr. BISHOP. Thank you. Another issue that this committee has looked at and is an idea that seems to have good—great currency on Capitol Hill is the idea of one grant, one loan, one work—under the heading of "simplification." Simplification has a somewhat se-

ductive allure to it but, Mr. Draeger, has NASFAA taken a position on one grant, one loan, one work?

Mr. DRAEGER. Institutions like the idea and simplicity of one grant, one loan. But they also like, and students need, the campus-based programs; the idea of work-study and—

Mr. BISHOP. And that is my principal concern. One grant, one loan by definition eliminates campus-based programs. And I can see where it would be more simple for the individuals you represent, the financial aid officer. I think we would all agree we are much more interested in making it more simple for students as opposed to the financial aid officer, with all due respect.

Mr. DRAEGER. Absolutely. And schools need the campus—the flexibility of the campus-based programs to help meet needs. So if you have a student getting full Pell, and that only meets 35 percent of the cost of attendance at a 4-year public, the additional input of campus-based aids can make up a significant difference in meeting the rest of the cost of attendance.

Mr. BISHOP. Okay.

Mr. Heath, would you concur with that?

Mr. HEATH. Yes, I do.

Mr. BISHOP. Okay. Thank you very much.

Madam Chair, thank you. I yield back.

Chairwoman FOXX. Thank you, Mr. Bishop.

Mrs. Brooks, you are recognized for five minutes.

Mrs. BROOKS. Thank you, Madam Chairwoman. I would like to just start out with you, Mr. Draeger. I am from Indiana, and I was pleased to see that you mentioned the Indiana 21st Century Scholar program. And as we talk about the federal government's responsibility and the state's responsibility, can you just expand, you know, for this hearing a bit more about the 21st Century Scholar program and the success that we have seen in Indiana for a long period of time?

Mr. DRAEGER. These state programs like 21st Century Scholar, studies have shown that the one thing that they do very well is tell students and families up front that there is money available to them in a commitment if they meet certain criteria at the secondary level. So is it easier? The anecdote that we come down to from our members is, is it easier for students to say I can't afford to go to college, or is it easier for them to say—just say college isn't for me, or algebra or pre-calculus isn't for me?

And what we find is that if you make a commitment of funding to students and families, that they will then take rigorous studies at the secondary level to prepare themselves for college, not take remediation or have to take remedial courses and then move through it a good persistence and completion rate which is, ultimately, one of the things we want out of the Pell Grant program.

Mrs. BROOKS. And that program starts at the middle school. That is where they are educated about what that opportunity is for beyond high school. And that, then, helps them set the path. Is that not right?

Mr. DRAEGER. That is right. So they are informed very early, they are given the promise. And then the second part of that is they need the commitment. So it is not only telling them that it

is available, but then actually coming through with the dollars to make it available.

Mrs. BROOKS. And are any other states doing any programs like that that you are aware of, and what kind of success have they had? And I know that, you know, we have had just thousands and thousands of students—I think we have had over 100,000 students—participate in the 21st Century Scholar program. But that requires a state commitment, as well. And are any other states even contemplating it?

Mr. DRAEGER. Although not identical, the other large state promise program has been the Georgia Hope scholarship. And although it has gone through some eligibility changes in recent years, Georgia Hope is another program that has shown that if you promise students early and parents early that it will change secondary school behavior to help prepare them for college.

Outside of the state level, there are a lot of communities that also have promise programs. So going back to Michigan, there is a Kalamazoo Promise program and other local promise programs for residents in those localities.

Mrs. BROOKS. Thank you.

I would like to ask Mr. Heath—shifting direction a moment—I was at our state's community college in Indiana, Ivy Tech Community College, and when we talked about attendance, and I find it interesting that Anne Arundel does take attendance, which I think is a novel concept for colleges as I understand. How is that they—the students, or the teachers, or the professors actually take attendance?

Mr. HEATH. We had our programmers develop an online process for them that ties in to the rest of our student system.

Mrs. BROOKS. And so when students come in to the actual classroom, there actually is an attendance process as they sit in the seat.

Mr. HEATH. There is.

Mrs. BROOKS. And is that some—how long has that process been in place?

Mr. HEATH. Just about two years now.

Mrs. BROOKS. Okay. And I assume that is because, as we have seen in a lot of colleges—that after that census cutoff date there actually is a period of time, isn't there, when students would disappear?

Mr. HEATH. Yes.

Mrs. BROOKS. Until this attendance process.

Mr. HEATH. Yes, that is true.

Mrs. BROOKS. Do you think we ought to use that as an innovative way to ensure that students aren't just taking the loan money, which we do know—and if you talk to students and professors they have seen it happen.

Mr. HEATH. Well, we certainly have found at Anne Arundel that that was one of the best ways to—you know, to monitor that. When this subject came up two years ago, with the negotiated rulemaking session for—on program integrity issues, as you might imagine there were a large number of organizations and schools that pushed back against the concept. So the Department of Ed stopped short of mandating it. Community colleges took a look at it, not

just Anne Arundel, and saw that it was, in fact, a good way to—you know, to move forward.

Mrs. BROOKS. Do you have any idea roughly what it cost Anne Arundel to implement a program like that? Are there many costs to it?

Mr. HEATH. No, I was never informed as to what that cost for programming was. I know that except for a few faculty it was very well received by the majority of faculty on our campus.

Mrs. BROOKS. Any other comments from the other panelists about—well, I see my time is up—about the integrity issues?

Madam Chair, I will yield back. Thank you.

Chairwoman FOXX. Thank you, Mrs. Brooks. I think we have the opportunity—we can ask the panel members to submit information to us after the hearing on that issue. So we will be happy to look into that.

Mr. Holt, you are recognized for five minutes.

Mr. HOLT. Thank you, Madam Chair.

Let me get a few facts straight. First, Mr. Draeger, I believe you have said that the current Pell grant is about a third of the cost of attending a public institution. Going back three-and-a-half decades, more then three-and-a-half decades, it was about—nearly three-quarters of the cost of attending a public institution. Is that correct?

Mr. DRAEGER. Correct.

Mr. HOLT. Mr. Dannenberg, I have here some figures for Rutgers University that shows that the state appropriations going to Rutgers are—is less—the dollar amount is less now than it was, well, 20 years ago. And, in fact, over the last more than two decades it has gone from 65 percent of the cost being paid by the state and 35 percent being paid out of tuition and fees to just the opposite. Are those figures typical of states around the country?

Mr. DANNENBERG. That is consistent with national trends.

Mr. HOLT. So Pell grants are more important than ever, but significantly smaller. So now let me get to the kind of the big picture here. Is it established that the cost to a student is the greatest determinant of attending college? Mr. Dannenberg or Mr. Draeger?

Mr. DRAEGER. Yes, the number one reason that students cite for not attending or dropping out is cost, financial concerns.

Mr. HOLT. Okay. Now, as I hear from corporate planners and economists, we need more, not fewer, college-educated workers in this country. Does any of you know any estimates by economists of the benefit to our economy of having half a million, one million, ten million more college-educated workers? Mr. Draeger?

Mr. DRAEGER. Well, I don't have those numbers at my fingertips. Economists have done that work. We would be happy to submit for the record. And the other point I would make is, not only have they cited the benefits societally and individually for people completing an education, but even going to some college has economic benefit for a community and an individual.

Mr. HOLT. So even if there is a dropout rate that is higher than we would like for Pell recipients, getting them into college has benefits to you and me and our constituents.

Mr. DRAEGER. Yes. And there is a question to be asked here. To be eligible for a Pell grant you have to be enrolled in the—a pro-

gram that is leading to some sort of certificate or degree. But there are instances where if there are dollars lacking in workforce development or training—that some students have no intention of completing a certificate or a degree. Their intention is to take a few courses to be able to increase—

Mr. HOLT. Well, I mean—you know, some of the discussion today has dealt toward waste and fraud and the effects of college aid on reducing individual initiative, and the preparation of those who receive Pell grants and particularly for those who are on the short end of the privilege gap.

But I don't want to lose the big picture here of what we are debating. It was determined nearly four decades ago that it was very much in the national interest to help people go to college. Just as it was determined several decades before that, when the GI Bill was passed, that it was in the national interest, in dollars and cents, to help people go to college.

So my question is, are we even close to a shrinking marginal return on the number of—on the benefit we get from those people who will be incentivized to go to college because of Pell grants? Are we even close to getting a shrinking marginal return? Mr. Dannenberg, you looked like maybe you wanted to address that.

Mr. DANNENBERG. The short answer is we are not even close. The difference in annual earnings between someone with a bachelor's degree versus simply a high school diploma is over $20,000 a year. That translates into $5,000 in tax payments per year.

Mr. HOLT. So national deficit, or not, or maybe especially if we have a national deficit, spending money on Pell grants is a good investment for our taxpayers. Would you go that far?

Mr. DANNENBERG. Yes, I was going to correct you and say it is not spending, it is an investment. You are absolutely correct.

Mr. HOLT. Thank you.

Chairwoman FOXX. Thank you very much. Mr. Messer, you are recognized for five minutes.

Mr. MESSER. Thank you. I appreciate this opportunity. A fascinating conversation. I am going to focus at the beginning on the testimony of Dr. Robinson. But I think that this hearing is very important because it highlights—as you highlight in your testimony—the importance of now moving as a nation away from a philosophy towards higher education that focuses only on access and starts to look at success. I am a product of Pell Grants, could not have gone to college—graduated from Wabash College—without Pell Grants.

Grew up in a single parent family. And understand, because I have lived, the importance of these degrees. But, of course, the world has changed a lot in the last 40 years. I would say the federal financial aid system is one of the great success stories in the history of the federal government. I mean, when our goal was access we have provided access to higher education for people in this country like never seen before. The challenge is, is that when these programs started 40 years ago access was enough.

If you looked at income potential of someone who had just a little time in college, even one year, your income potential was higher. Of course, today that has changed. If you don't graduate with a degree, and a degree that adds value to society, your income won't be higher. Plenty of people are even graduating with degrees that

make their income no higher. So we now have to move from a system that provides access alone to one that incents success so that we are making people's lives better.

Because, of course, while this has all happened costs have gone up, too. So people are now leaving if they don't get a degree, most often with debt, too. Where you could argue that they are literally worse off than they had been had they not just had that access. What I have seen—I am a sort of a product of the education reform efforts in K through 12 in Indiana. And we saw our graduation rate, over a period of 6 years, improve by 15 percent through a series of reforms; really, a lot of hard work from teachers, principals, parents, students.

But a set of reforms that gave them those tools. Chief among them, I found, was the measuring of graduation rate. We used to have, as a society—we measured—to be counted as a dropout, as you would all probably know, you had to enter in your senior year and then not—drop out during that year. We started, as a country, to measure from freshman to senior year. And what I found in Indiana is that, once schools saw that real graduation rate, they were quick to the table to bring their own innovative reforms. And we have made a lot of change.

So, Dr. Robinson, if you could expand just a little. I think measuring success rates, graduation rates, of Pell grants would give us an opportunity to see where we are, and then develop policies that not look to reduce what we spend in Pell grants but look to better spend that money in ways that leads students to success.

Ms. ROBINSON. Absolutely. One of my frustrations has been how very difficult it is to get information about the success rates of Pell Grant students. Federal data on that topic comes out about once every 10 years. And recently, in North Carolina we have seen more information forthcoming. The University of North Carolina system just published that information. And I think from that we are actually going to be able to move forward and see what works and what doesn't.

I would absolutely like to see graduation rates published so that we can move to focusing on how we can make sure that students get from that access to success. I think one way of doing that is requiring—right now, universities have to disclose, but they don't have to report the information to IPEDS. And I think that that would be a necessary step so that we have the information available to the Department of Education has the information available to answer more of the outstanding questions about what helps Pell recipients become successful.

Mr. MESSER. Yes, thank you.

And Dr. Heath, my next question. I was very intrigued by your comments about the need to increase flexibility for non-traditional students. If I were to make another observation in what has changed in 40 years is, you know, we have a system very focused on the sort of four homecomings, kids showing up, 18-year-olds with a backpack. That is not many of our students in today's world. Could you talk a little bit more—expand on your discussion of providing flexibility for non-traditional students?

Mr. HEATH. Well, as, you know, it has been already noted here, the non-traditional student, or contemporary student, if you will,

75 percent of students now are going part-time. So while many of us think that limiting the months of Pell or semesters of Pell that a student could get was really a good move, within that we now are seeing that part-time student actually getting hurt because their eligibility is being used up quicker because they really should only be taking nine credits. It is not good for a student to take 11 credits when they really should only be taking nine. Because their schedule, you know, is such that their time commitments require more family time, more work time.

So we don't want to see them using up that lifetime eligibility quicker than what they really should be. So that is one of the things that we are concerned about.

Mr. MESSER. Okay, thank you.

Madam Chairman, I yield back.

Chairwoman FOXX. Thank you very much.

Ms. Bonamici, you are recognized for five minutes.

Ms. BONAMICI. Thank you very much, Madam Chairwoman and Ranking Member for holding this hearing today, and the important tool for increasing college access and Pell Grants. And I, like many others on the committee, worked my way through community college, college and law school with a combination of grants, loans and work-study. So I truly appreciate the importance of what we are discussing today, and believe that every student should have that access regardless of his or her socioeconomic status.

And Pell grants were really founded as the basis of our federal financial aid system. So this is, again, an important topic we are talking about. I want to go back to the discussion about the disinvestment by states in higher education. My alma mater, University of Oregon, now gets about 5 percent of its funding from the state. So I am going to ask Mr. Dannenberg, I agree with your concerns about that, the issue of state funding. And how has that specifically affected students' reliance on the Pell program? I understand that it affects reliance on the need for more financial aid, but on Pell particularly.

Mr. DANNENBERG. It has obviously had a tremendous effect on students' reliance on the Pell Grant program, making Pell more essential than ever when it comes to low-income student access. I think the other thing to keep in mind is that when states cut back funding for individual institutions the individual institutions then change the nature of their aid to students. They start emphasizing non-need-based aid instead of need-based aid in order to try and attract in students who are able to pay at least something.

So Pell faces a double hit. First, it is more important because states are pulling back from institutions and therefore tuition is going up. And second, the institutions are also responding by shifting from need-based aid to non-need-based aid.

Ms. BONAMICI. Thank you. I also really think we need some innovative thinking. Oregon, of course, is studying the Pay Forward, Pay Back program. I am really interested in seeing what happens with that study. And, Mr. Draeger, you talked about the Pell Promise. How would such a program be implemented successfully, and what support would be needed from the federal government if we were to do something like that at the federal level?

Mr. DRAEGER. The benefits of the Pell Promise we have talked about, from the federal level I think very little would need to change except that it could be modeled on something like we do with Social Security today, where you are given a statement along the way letting you know how much money would be available to you—that piece of knowledge, then, supposedly is empowering people to hopefully make wise decisions during their career for retirement—something similar in higher education.

So that based on the fact that somebody is already taking, utilizing, some state or federal means-tested benefit, we know they are low-income—and longitudinal 5-year study that NASFAA conducted, which is included in my written remarks, showed that for our neediest students their income levels don't change greatly from middle school to high school to college.

If you are poor, unfortunately odds are you are going to continue to be poor when you go into college. We could identify them early, notify them early and, hopefully, effectuate positive outcomes in secondary school.

Ms. BONAMICI. That is great. Thank you.

Dr. Robinson, in your testimony you mentioned that it is your belief that only "very low-income students," and that was your phrase in your testimony, should receive Pell grants. So if, in fact, the proposals that you suggest were in effect, then more students—what would they do? Drop out, or not start college, or take on more loan debt? What would happen to all the students who are currently eligible who wouldn't be eligible under your proposals?

Ms. ROBINSON. Those students would do a combination of things in order to achieve some kind of higher education. Some of them might choose less costly institutions, some of them might in fact take out loans. But the reason behind that proposal is that the limited research that is available shows that for those students they actually respond better to loans than they do to grants that they do not have to pay back.

Ms. BONAMICI. And I wanted to follow up on that because you did have—you mentioned limited research. Do you know how many students were studied in that particular study? Because that was intriguing, when you said that, actually, middle-income students don't benefit from Pell grants. I found that quite surprising.

Ms. ROBINSON. I will have to go back and look at that for you. I don't have the figure offhand.

Ms. BONAMICI. Thank you.

And, Mr. Dannenberg, do you have thoughts on what would happen if, in fact, we limited Pell grants to very low-income students, and more students would have to rely on loans?

Mr. DANNENBERG. Yes. First of all, it is important to keep in mind that community colleges are like the great secret of the American higher education system. Over 40 percent of all students are going to community colleges. So the idea that students are going to go to less expensive colleges, when they are already going to very inexpensive colleges, flies in the face of the data. What is going to happen is students will drop out. They will go from full-time status to part-time status. And if they do go from full-time status to part-time status they will be much, much, much less likely to complete.

Ms. BONAMICI. All right, thank you. And I see my time has expired.

Thank you.

Chairwoman FOXX. Thank you.

Mr. Thompson, you are recognized for five minutes.

Mr. THOMPSON. Madam Chair, thanks for hosting this hearing. And to the witnesses, thank you for bringing your expertise here. Obviously, you know, probably even 10 years ago talking about, you know, the typical student has changed, I think, dramatically. And I think it will continue to evolve, where I know when I went to college, my cohort, we were largely—it was 18-to 22-year-olds, something like that, that was on campus and pursuing an education.

But then today it is determining how do we make these programs flexible enough to meet people's educational needs at every point in their lifetime, because it is not where you start, it is where you end up. And the key to that success is education. So it is—we need a dynamic program, there is no doubt about that. I wanted to come back to a couple points in the testimony, start with Mr. Heath. What percentage of students at your community college and/or nationally require remedial education?

Mr. HEATH. I don't have that number readily available. I do know that I have been told that it is a relatively high number. But in context, some of those students are testing into remedial math. And one of the reasons is that they were really good students in high school, and by the time they got to grade 10 or 11 they had taken all the math required and so they were taking nothing in grade 12. And when they went to do the testing they were showing that they needed a developmental class in order to take college-level algebra. So there is some context there, but it is a fairly high number.

Mr. THOMPSON. Yes. I just spent some time in southern Arizona at a—actually, a military installation, talking with the officers in charge of the educational system there. And they are training soldiers and officers. And remediation is a big part of what they do there, as well. So it is across the board. Any idea of how much of the Pell fund that we use for remediation at this point?

Mr. HEATH. No, but we do know that students can take up to 30 credits of, or the equivalent of, remedial courses, and Pell grants will pay for it. But normally, students are stopping out far short of that because they just are not able to continue and to pass the courses.

Mr. THOMPSON. Mr. Draeger, you look like you had your hand on the buzzer.

Mr. DRAEGER. About one in three college students today are taking remediation nationally; 50 percent of students at community colleges are remediating and just about a third, or around 20 to 30 percent, in 4-year schools. Pell Grants cannot be used solely for remediation. So they can take remedial course work if it is integrated into a program. And as Rich pointed out, there is a cap on how much remedial education can be taken through the Pell Grant. So while it may be a—not an insignificant dollar amount, it is not unlimited, by any means.

Mr. THOMPSON. Okay. Dr. Robinson, your testimony talks about shifting the definition of full-time student from 12 to 15 credits as an option to encourage college completion. And the benefits there are kind of obvious. Obviously of reducing the overall role of debt in terms of get a—to earn your return on investment sooner with your education degree. It is not the degree that is of value, it is the return on investment that comes from it.

Just thoughts on what impact that—would this have, given on non-traditional students, kind of reflected on where I see, obviously, our educational system needs to be: them being more flexible at different parts throughout a person's lifetime or on, specifically, Pell-eligible students.

Ms. ROBINSON. I think the significant impact comes in looking at how you go from that 15-hour point. And I think the way that you prorate for hours after that makes a big difference. I think Mr. Dannenberg mentioned that you pay the same for nine and 11. I think the prorating on that should actually be the 11 and nine, 10; all of those are prorated as a percentage. So students are using the money as they are taking courses, and not having to pay for time they are not taking.

And I think it also should be coupled with the Pell Well concept so students can go over summer. The main point in going from 12 to 15 is that if someone is currently full-time at 12 hours, that person would be much better off to be 12—full-time at 15. So that they, as you said, don't have debt, or don't have six years of debt or five years of debt when they do come out.

Mr. THOMPSON. And my last is actually just a request of all the panelists. Anyway, the key part to this is developing financial literacy among students and parents so that they are choosing paths with a return on investment. That they have that in the end. So I would just ask if you could submit to the committee any thoughts or any recommended research that you have seen on how do we increase financial literacy among probably most specifically that traditional—what has been—I don't think it is traditional anymore, but that post-high school, postsecondary into college. That would be very helpful. Thank you.

Thank you, Chairwoman.

Chairwoman FOXX. Thank you, Mr. Thompson.

Mrs. Davis, you are recognized for five minutes.

Mrs. DAVIS. Thank you, Madam Chair. And thank you to all of you for being here. I certainly feel like a great example of someone who went to UC system far too many years ago. When I talk to students and tell them what I paid for—it wasn't even considered tuition then, basically—they are shocked by that. And it is a shift of 75 percent help essentially to students versus today less than 25. And so that is why many, many students do have to look for other sources of income.

I wanted to ask you, Dr. Robinson, a little bit—your comment. And I know that my colleague asked earlier. But I wasn't sure what you base the claim that Pell grants to moderate—you said middle class students, I think, $30 to 45,000 or so. I was not sure that that is always middle class in everybody's mind. But whether they are less likely to graduate. So what is the causal relationship there?

Ms. ROBINSON. Sorry. It is based on the beginning longitudinal study that the federal government puts out. And it appears that the causal relationship is that in that income group they are more responsive to money that they will have to pay back. The knowledge that they have a loan that they will have to pay back at the end makes them more likely to graduate. The authors of the study are—

Mrs. DAVIS. For students who—

Ms. ROBINSON. For those who have $5,000 to $50,000 range. The authors of the study only speculate on causation. They note that this is research that really can't establish a causal pattern, only a relationship. But that is what they found, based on their research.

Mrs. DAVIS. I wonder if anybody else would like to comment, Mr. Dannenberg? How does that stack up?

Mr. DANNENBERG. I think one of the most interesting pieces of research out there on the effect of need-based aid on low-income students was done by Sara Goldrick-Rab and a series of others published by the National Bureau of Economic Research. They ran a control study, which is very rare. Basically, they looked at Pell students who were getting a supplemental need-based aid program through—in Wisconsin, and those who were not. And what they found was that for a thousand dollars in additional need-based aid to Pell students those students were going to return for a second year of study at a rate of 3 to 4—a little over 4 percent higher. So the point is that increased investment increases the likelihood of retention and, therefore, progression-completion.

Mrs. DAVIS. Is there is a sense, too, that the community is counting on those students in some way? I mean, does the fact that students feel perhaps that it is a little more accessible and more valued that they have a contribution to make to give back?

Mr. DANNENBERG. I think that is especially true with the promise programs that Justin was referencing. But since I am giving him applause, I also want to criticize the idea that we can just give students in eighth grade a statement of how much financial aid they will get, and that that will drive them to school. It is not enough. Americans overestimate the cost of higher education.

What Indiana does is much better. So what Indiana does is provide a guarantee that you can go to school debt-free or tuition fee-free. A number isn't enough. It needs to be a concept.

Mrs. DAVIS. Okay. One of the things that you mentioned earlier was that rather than targeting the students, that you target the schools in terms of making some of the changes that need to be done. And also, there are loans outside of Pell that we need to deal with. Could you be a little more expansive about that, and are there some ideas out there now that are really out of the box thinking that we are not—people talk about, but we are not quite willing to move forward on?

Mr. DANNENBERG. Yes. First of all, you are absolutely right with respect to institutions. And I think that has been a big area we have neglected as witnesses: the importance of institutional role. Not just when it comes to financial aid and increased need-based aid versus non-need-based aid at the institution. But what an institution does makes a tremendous amount of difference when it

comes to completion. We see similar institutions with a similar student body that get dramatically different results.

So one of the outside of the box ideas is that in any effort to provide funds to the states, the states try and hold institutions accountable for their performance with low-income students in terms of increased completion. San Diego State is one of the better schools in the country, as a matter of fact, when it comes to completion among low-income, under-represented minority students as compared to their peer institutions.

Mrs. DAVIS. Yes. And a lot of that is based on the number of support systems that are built in, and using mentors and a whole host of other community organizations. I appreciate that.

Thank you very much.

Chairwoman FOXX. Thank you very much.

Ms. Wilson, you are recognized for five minutes.

Ms. WILSON of Florida. Thank you, Madam Chair, for holding this hearing today. The federal Pell Grant program is a lifeline for more than 9 million students every year. The program can make the difference between a life of poverty and a good, meaningful middle class career. The Pell Grant program is also a lifeline for America's economy. For African-American and Latino students, education is the only—the only—stepping stone out of poverty. There are very few dollars to inherit from the family trust. There are very few African-Americans and Latinos that can save enough to send their children to college. So the Pell grant is key.

We need more students to undertake higher education in order to close the skill gap and boost productivity. But so many families are struggling to cover rising cost. While some exaggerate the funding gap with regard to Pell, the fact is that the program has been cut by more than $50 billion and is projected to remain stable. It is very important to note that 40 percent of the growth in Pell Grant costs since 2009 has been due to the increased number of Pell-eligible students in this period of high unemployment, not due to policy changes.

What this says to me is simple. We can reduce the cost of the Pell Grant program by getting Americans working again. Once we get Americans working again, we will have fewer enrollees with fewer families requiring assistance. So this Congress has to turn back to its regular focus on jobs. Now, I have a few questions for all of our witnesses.

While there is a great deal of focus on completion pressure and non-traditional school year models, taking classes in the summer months is often impossible for low-income students who support themselves and other family members. What is a reasonable number of semesters for which someone should be eligible for Pell, taking into consideration the factors that impact low-income students, especially Latinos and African-Americans?

Mr. DRAEGER. So from our perspective, the aggregate limit may not be off. Six years of full-time eligibility may not be the wrong number. What we would advocate for is more flexibility that students, so students could enroll on an ongoing basis. So instead of reaching a summer term, or semester, and saying I have no more Pell Grant eligibility, and I am going to stop out, which then increases the likelihood of them not returning, that they could con-

tinue to stay continuously enrolled by providing them, again, a well of Pell funds.

Mr. DANNENBERG. There has been a lot of talk about the contemporary student, which I think is a good term as well. The contemporary bachelor's degree recipient gets their degree in five years, not four. So when we talk about 150 percent of time, six years, that is 150 percent of time working off of an old, antiquated calendar of four years to a bachelor's degree. It is now five years to a bachelor's degree, so I think we need to ask ourselves whether we should be pulling back even further on the amount of eligibility that students have for Pell in terms of time or dollars.

Ms. WILSON of Florida. Okay. We have talked a lot about this investment from the states. I would like to find out what you think can be done to ensure that this investment in higher education funding on the state level does not continue to erode the purchasing power of the Pell grant. What can be done to help with that?

Mr. DANNENBERG. I am looking at Congressman—

Ms. WILSON of Florida. Okay.

Mr. DANNENBERG. I am looking at Congressman Tierney because he is the champion of a maintenance-effort provision that appeared in the College Access Challenge Grant, which is a small grant program. There was also a maintenance-effort provision that appeared in the American Recovery and Reinvestment Act for Higher Education Funding. And states were responsive, particularly to the AARA maintenance-effort provision, because there is such a substantial amount of funding. That is the problem with CACG is that it is too small.

What can be done? The feds can provide a substantial amount of funds to states and institutions in order to leverage increased support for higher education, either in terms of maintaining state investment or push on the institutions to keep costs down. And you can do that by targeting funds outside of the Pell Grant program, outside of unsubsidized loans.

Ms. WILSON of Florida. Anyone else? Any incentive idea to incentivize states to invest more in their colleges?

Dr. Robinson, you said that—I would like for you to elaborate further on the limited studies that show that some low-income students respond better to loans than to grants. What, in your experience and research, have you found to be the impacts of higher debt burdens on persons' purchasing power, well-being and lifetime career prospects?

Chairwoman FOXX. Ms. Wilson, I am going to ask Dr. Robinson if she would submit her response to you in writing—

Ms. WILSON of Florida. Oh, I am out of time.

Chairwoman FOXX. Since you are out of time. And I would commend to you the study that Dr. Robinson has offered, entitled "Pell Grants—Where Does All The Money Go?" You may—I am sure she will make available to you a copy of that. And it has a great bibliography in it, too.

Mr. Tierney, you are recognized for five minutes.

Mr. TIERNEY. Thank you very much.

Mr. Dannenberg, let me start off where you were talking earlier. Because we did have a go at trying to put a maintenance of effort

provision into the Higher Education Opportunity Act and the stimulus on that, with some effect from all the reports that we have out there. But you are right, the CACG is very, very small as a set-off on that, and we had quite a fight just to get that. It was difficult to identify something that would be meaningful to put at risk for schools to not maintain their effort.

So when I look at your comment in here about the Education Trust having 10 offsets to finance a flexible state and institutional fund for needy students to be given some sort of guarantee, can you explain a little bit more? Maybe use an example of what of any of those 10 ideas were, and how that would work?

Mr. DANNENBERG. Sure. We have identified grants, loans and tax benefits that could be reduced. Let me start with the low-hanging fruit: tax benefits. The Hope Scholarship Tax Credit used to limit out at $120,000 in family income. That is 80th income percentile nationally. The Obama administration, which I worked in, expanded the higher education tax benefits markedly. And I think that has been a laudable accomplishment.

But it also increased the income level at which people can get an American Opportunity tax credit, formerly Hope, all the way up to $180,000. So we went from the 80th percentile to the 95th percentile. You know, why are providing tax benefits—and that is some $7 billion a year—to folks who are in the top income quintile? Why is it that Mitt Romney can get a 520—I have three 529s. But why can Mitt Romney get a 529 which has all kinds of tax benefits attached to it, when we have students who are in desperate need of Pell grants? So those are two on the tax side. But I think there are others in this committee's jurisdiction.

Mr. TIERNEY. So you have to find some way to get that money back to education as opposed to the general treasury. So if we can work on that. All right, that is an interesting concept, but we may follow up with you if you have no objection on that, to look at some of those other areas.

The other is, you know, the financial incentives to borrowers and owners that have FFEL loans to get them to convert their debt to a direct loan on that basis. Have you worked out the specifics as to how you think that program would work?

Mr. DANNENBERG. Actually, the Department of Education had administered a small similar program that allowed borrowers who had both FFEL loans and direct loans to combine them and consolidate them into the direct loan program, and gave them a lower interest rate in doing so. What I am suggesting is, essentially, that effort much, much more aggressively implemented by the secretary.

Where he went to students who have existing FFEL loans now, sizeable amounts, and said, "Look, pay—consolidate into the direct loan program. We will cut your interest rate, we will give you cash back, we will lower your principal. And you, the student, will benefit and us, the taxpayer—the federal government—will benefit because we won't be paying out as much in subsidies on these old loans." Frankly, which a lot of providers would like to get off their books because they no longer have the same incoming stream of new federal family education loans.

Mr. TIERNEY. Thank you on that.

And lastly, one of you mentioned at one point, and I will defer to your memories on that, the cost of books for students. Mr. Hinojosa and Mr. Miller and I recently filed some legislation trying to get the textbook materials more accessible to students through online provisions and otherwise that would reduce the cost. Does anybody want to speak to the impact on students for what is now a pretty high cost of textbooks?

Mr. HEATH. Yes. The cost of the textbooks definitely has, you know, increased over the last number of years. It keeps going up every year. Most institutions that I am familiar with have a variety of ways that students can get those books. We implemented a process a couple of years ago where they can actually rent the textbooks. So we always have a buy-back provision so they can bring the textbooks back. When they are done at the end of the semester, we buy them back. They can rent them.

They also have the opportunity, of course, to, you know, purchase their textbooks online from a—you know, non-college provider. The problem that we have right now that we haven't been able to solve is for those community college students that want to buy their books electronically and actually providing them money up front so that they can get those textbooks electronically. And we have resisted doing that because we found historically when we provided money up front—that is, before the class is actually started—students took the money and didn't show up for class.

So trying to balance that—you know, that issue, you know, is an ongoing problem for us.

Mr. TIERNEY. Thank you.

I yield back.

Chairwoman FOXX. Thank you, Mr. Tierney. I now yield myself five minutes.

Dr. Robinson, taxpayers deserve to know if their hard-earned money is being spent appropriately by the federal government. Your testimony talks about the lack of data points to show how Pell Grant students are faring in college. And we have talked a lot about this issue. Several members have raised questions. But could you share with us what specific data points should be added into the law during the upcoming reauthorization to help provide us with better information on how Pell Grant students are doing?

Ms. ROBINSON. I think the first fix is to enforce what was already started in 2008 with the higher education reauthorization. Go from disclosure of Pell Grant graduation rates at the institutional level to actually requiring that to be reported to IPEDS. Disclosure is only minimally useful if it becomes difficult for researchers and for the Department of Education to get data on a wide-scale basis. And it is that wide-scale data that we need in order to do any kind of methodological look at how Pell students are doing.

Secondly, I think that the beginning postsecondary education longitudinal data are extremely important. I think it would be very nice if that could be done more often. Right now, we are still looking at data that begins in 2003–2004. And from what I can tell, we can't expect any new data for quite some time. Seeing that data maybe every five years would be considerably more helpful than the rate at which we see it right now. Because it is that longitudinal data that tracks students over time that allows us to see

what happens from the moment a student enters to where they are four, five, six or 10 years later.

And I think most importantly, that data must be transparent. The Department of Education obviously needs to be able to look at the data. But outside organizations, from NASFAA to the Pope Center, to individual institutions and schools of education, can add a lot of insight to the arguments about Pell if they have access to meaningful data.

Chairwoman FOXX. Thank you very much.

Mr. Draeger, can the reforms you talk about in your testimony—Pell Promise, Pell Well and Super Pell—be implemented without dramatically increasing the cost of the program? How can we ensure that the program does not continue to grow at the rates we have seen over the past five or six years?

Mr. DRAEGER. We have already seen the cost of the Pell Grant program leveling out. And so partly because of a partial, or slow, recovery and partially because Congress has rolled back some of the eligibility criteria that it had originally implemented five, six, seven years ago. And in my written remarks I have included an appendix of those eligibility changes. The reforms that we have put forward we don't believe, over a five or 10-year period of time, would cost dramatically more, because Congress has already put in place limitations on the full extent to which students can utilize a Pell Grant.

And what we are talking about is now making that Pell Grant information available to students much earlier, and giving them more flexibility so that that contemporary student can use them for an innovative—in an innovative learning model program, a competency-based program, or on an ongoing basis until they have exhausted eligibility.

Chairwoman FOXX. Thank you very much.

Mr. Heath, how can the federal government assist institutions in preventing fraud, while easing the burden on financial aid offices?

Mr. HEATH. Well, I think that they can continue to do what they started to do about 18 months ago when this was becoming more of a problem nationwide. The follow up with the students that show up on our records when they come in is extensive. But what we have found in that follow up is that many of those students were not really legitimate students. That is, the transcripts that came in from other colleges, when they finally turned them in, showed little or no academic progress whatsoever.

So they can continue to do what they put into place, but certainly require every college that has large numbers of students that are moving from school to school to make sure that those records that they get in have been thoroughly reviewed. And those that are not progressing academically when they are changing schools, that the eligibility for financial aid simply is not there coming through the door. That is, they would have to come in and establish their own academic record at that college.

Chairwoman FOXX. Thank you very much.

I want to thank all of our witnesses here today. You are a distinguished panel, and we very much appreciate your taking the time to appear before the subcommittee today. And you have given us

a lot to think about, a lot to read. Your testimony is pretty expansive, the written testimony. There is a lot to read and to consider.

Mr. Tierney, do you have some closing remarks?

Mr. TIERNEY. Well, I do, Madam Chairwoman. On behalf of the ranking member, I just also—and the other members of the panel, I want to thank you for your efforts here today, for the work that you prepared in advance and your testimony. And I suspect, your availability in an ongoing basis to help us sort of formulate some policies on that. The ranking member and the other members want to let you know that we want to strengthen the Pell Grant program.

We want to continue to expand affordability and accessibility to college. And hopefully, both sides of the aisle will work towards strengthening the Pell Grant program and that affordability and make it a top priority for Congress. So with your efforts and your help we will be able to move in that direction. And thank everyone for their work on this hearing.

Chairwoman FOXX. Thank you, Mr. Tierney.

Most of my colleagues have made comments about having come from low-income families, worked their way through college, some of them utilizing the Pell Grant. I think any of us who have been involved in higher education understand the value of the Pell Grant program. I will one-up my friends a little bit by saying not only did I come from an extremely low-income family—I worked my way through school—but I worked with students who received Pell Grants. I was around in 1972, when the BEOG program started, and I remember it very well.

I was working with Upward Bound students and low-income students at Appalachian State University. I ran a special services program and a program for disadvantaged Appalachian and African-American students. So I am very well aware of the value of financial aid, and particularly the Pell Grant program. So I know we all want to strengthen the program so that it is available to the truly needy students. Because there are students out there who need it, and there are students who can benefit from the program, and who can benefit our culture as a result of attending higher education.

We want to utilize these hearings to highlight the problems or concerns that exist, and figure out ways we can update the federal laws to ensure they are keeping up with how our universities are educating students. So today, I have noticed a plethora of dueling statistics—maybe more than usual—in our comments. So I want us to keep in mind how we utilize statistics to define the problems that exist.

Several of you have discussed how the buying power of Pell Grants has decreased significantly over time. Yet according to figures calculated by the Congressional Research Service, the Pell Grant covers approximately 72 percent of the published in-state tuition and fees at 4-year public institutions.

We know that it covers more than enough of the cost of fees and tuition at community colleges. I think we can all find statistics to help us define our arguments and our points. We just need to make sure that we understand the context in which the statistics are being used. And I think as we go through with further hearings and looking at these programs, we will do our best to make sure

that we have data. And I think all of you, especially Dr. Robinson, has pointed out the need for us to get reliable information. And that is something I am very much interested in, and I think all of us are, again, so that we can make sure the truly needy students are getting the help they need.

So again I thank everyone for being here, my colleagues on both sides of the aisle. And there being no further business, the hearing is adjourned.

[Additional submission of Mr. Hinjosa follows:]

Prepared Statement of the American Indian Higher Education Consortium

On behalf of the nation's 37 Tribal Colleges and Universities (TCUs), which collectively are the American Indian Higher Education Consortium (AIHEC), we write to commend the Subcommittee for examining ways to strengthen the Pell Grant Program and appreciate the opportunity to share the perspectives of the TCUs and the students they serve.

TCUs are open enrollment institutions that were created in response to the higher education needs of American Indians/Alaska Natives and generally serve very low income, geographically isolated populations that have no other means to access education beyond the high school level. TCUs have become increasingly important to educational opportunity for Native students offering high quality, culturally relevant higher education opportunities to encourage American Indians/Alaska Natives to overcome the barriers they face to higher education.

The importance of Pell Grants to TCUs and TCU students simply cannot be overstated—More than three quarters of TCU students receive Pell Grants. At $100 per credit hour, tuition rates at TCUs are among the lowest in the nation, but the cost of attending any college is not "affordable" to students with average annual incomes of less than $18,000 without meaningful and stable federal assistance.

Pell Grants are the bedrock of the student aid programs and must provide a stable source of funding for low-income students. The maximum Pell Grant has increased in recent years, but various shortfalls, budget debates, proposed and impending cuts to the program would prevent it from being described as "stable" for TCUs students that rely on this funding to pursue higher education goals. Protecting Pell from ongoing Congressional budget debates and offering measures of certainty in funding would help Native students realize their postsecondary education aspirations.

At this hearing and others from the "Keeping College within Reach" series, the Subcommittee has heard numerous proposals to simplify the financial aid process and make selecting and paying for postsecondary education more consumer friendly. TCUs are leaders in promoting accessible postsecondary options for American Indians/Alaska Natives and would welcome new policies and programs designed to increase awareness of higher education and financial aid opportunities. However,

AIHEC member institutions are also concerned about unintended or unforeseen consequences of major changes to the student aid programs. As the Committee further develops proposals to reform the Title IV programs, we ask that you be mindful of the potential impact of policy changes to TCUs and seek the counsel of TCUs, through AIHEC, to ensure federal programs are leveraged to the maximum benefit of Indian Country.

Remediation & "Contemporary Students" at TCUs

Chairwoman Foxx and others on the Subcommittee have commented on the need to replace the term "non-traditional student," noting these students are now the norm in higher education and suggesting the term "contemporary student" may be more appropriate. TCUs commend the Subcommittee for this realization. However, if designed improperly or without adequate review, proposals aimed at reducing spending on Pell Grants and bringing further accountability to recipients could result in greatly reduced postsecondary educational opportunities available to 'contemporary' students. For example, at a time when the nation is focused on increasing not just access but completion rates for America's college students, a recent budget agreement immediately reduced Pell Grant eligibility from 18 to 12 semesters, with no phase-in or grandfathering component for current recipients. This resulted in some students finding themselves ineligible for further Pell Grants and therefore unable to complete their degree programs. Though 12 semesters of eligibility may seem sufficient for so-called traditional students, this limit can be highly restrictive for students who need remediation.

A recent survey of placement test results at TCUs indicate that 64 percent of incoming students required remedial math, 78 percent required remedial writing, and 60 percent required remedial reading. Though student aid funds cannot be used exclusively for remediation coursework, they can be used for remedial work on the path toward a degree and can require as much as one full year of a student's Title IV eligibility. The federal government should recognize that effective, well-funded remediation programs are essential to improving higher education access and success rates among low-income students and provide extended eligibility for students completing these courses as part of a degree or certificate program. Restricting eligibility for remedial or developmental courses is no way to recognize contemporary students.

"Sometimes, our students come in unprepared for college work. They use up quite a bit of their Pell [Grant eligibility] taking developmental courses, so we might encourage them to transfer without a degree so they'll still have some of their Pell [Grant] for attending the four-year college," said David Yarlott, President of Little Big Horn College, Crow Agency, MT. "We'd like to have those increased degree (completion) numbers, but we have to think of our students' needs first."

As Congress considers HEA reauthorization and the Administration's efforts to rate colleges, the Committee should be mindful of limitations on certain program measures such as graduation rates. Though program accountability is critical, it is incredibly important that federal policy not punish colleges and universities for "thinking of our students' needs first."

Summer Pell

Pell Grant eligibility for more than two semesters of coursework, or "summer Pell," was another casualty of a recent budget debate. For three years this change in policy appeared to be working as summer enrollments were up at TCUs, community colleges, four-year colleges and universities, and even for-profit institutions. The elimination of summer Pell has and will continue to restrict the opportunities available to contemporary students.

In a cruel irony, the loss of summer Pell will have less of an impact at some TCUs due to sequestration. Faced with significant cuts in federal funding, many TCUs had to eliminate summer programs this year. For instance, Sitting Bull College, located on the Standing Rock Sioux reservation in North Dakota and South Dakota had to address a cut of nearly $1 million, which forced the college to close its doors this past summer. The campus closure not only prevented the offering of college courses, it also eliminated programs for high school and middle school students, which of course meant the elimination of several months of income for many of those that are employed at the college.

Additional Information on Tribal Colleges and Universities

TCUs are public institutions of higher education chartered by their respective tribal governments, including the ten tribes within the largest reservations in the United States. They operate more than 75 campuses in 15 states—virtually covering Indian Country—and serve students from well more than 250 federally recognized Indian tribes. TCUs vary in enrollment (size), focus (liberal arts, sciences, workforce development/training), location (woodlands, desert, frozen tundra, rural/isolated reservation, urban), and student population (primarily American Indian). However, tribal identity is the core of every TCU and they share a common mission of tribal self-determination and service to their respective community.

These academically rigorous, culturally appropriate institutions engage in partnerships with federal agencies and other universities nationwide to support research and education programs that focus on issues such as sustainable agriculture, water quality, climate change, wildlife population dynamics, behavioral health, and diabetes control and prevention. The majority of faculty, teaching staff, and administrators hold a master's or doctoral degree. Dedicated faculty and staff often serve double-duty as counselors and mentors in addition to their teaching and administrative roles.

TCUs provide many services to help students stay in school and complete their studies, such as personal and career counseling, mentoring, tutoring, wellness programs, child care, lending of laptop, and transportation and housing assistance. Many support distance learning involving state-of-the-art learning environments. Community members often take advantage of the TCU libraries and computer labs, as well as a range of community service programs, such as business incubators and health and wellness events and workshops.

Tribal Colleges and Universities are providing access to high quality higher education opportunities to many thousands of American Indians/Alaska Natives and non-native students, as well as essential community services and programs to many

more. Keeping the Pell Grant program vital and strong is vital to the continued postsecondary success in Indian Country.

For additional information on TCUs, we recommend Subcommittee members and their staff review The AIHEC AIMS Fact Book as it provides an in-depth profile of TCUs and the students they serve. It is included with this statement as an appendix. The report is available online: *http://www.aihec.org/resources/documents/AIHEC-AIMSreport—May2012.pdf*

[Whereupon, at 12:01 p.m., the subcommittee was adjourned.]

○